

**SACRAMENTO METROPOLITAN AIR QUALITY
MANAGEMENT DISTRICT**

For Agenda of **April 23, 2009**

To: Board of Directors
Sacramento Metropolitan Air Quality Management District

From: Larry Greene
Executive Director/Air Pollution Control Officer

Subject: Adopt a Resolution Approving the Proposed Changes to the Wood Stove/Fireplace Change Out Incentive Program and Authorizing FY09/10 Funding

Recommendation

Staff recommends the Board:

1. Determine that the proposed changes to the Wood Stove/Fireplace Change Out Program are exempt from the California Environmental Quality Act (CEQA);
 2. Approve the recommended changes to the incentive funding levels; and
 3. Authorize the use of additional Solutions for the Environment and Economic Development (SEED) funds collected during Fiscal Year 09/10 for wood incentives bring the total fund allocated to the Wood Stove/Fireplace Change Out Program to \$2,678,457.
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Executive Summary

On June 22, 2006, the District's Board approved a residential Wood Stove/Fireplace Change Out Incentive Program (program) for the replacement or retrofit of uncertified and highly-polluting residential wood burning appliances (e.g., wood stoves and wood fireplaces, fireplace inserts) with certified low-emitting devices. The program has two components, a voucher program to give monetary incentives for the replacement of old wood burning appliances with cleaner appliances and a low income assistance program to fully fund the replacement. The Board directed staff to prepare annual updates on the program. To date, these incentive programs have replaced 2038 devices and reduced 10 tons of particulate matter (PM2.5) emissions.

In May 2007, the Board approved a low income assistance program through a partnership with the Community Resource Project Incorporated (CRP), a non-profit agency serving the needs of low income residents in Sacramento County. The initial contract to begin implementing this program was signed on November 1, 2007. The low income program has replaced 57 devices and has identified an additional 118 low income participants that are in the queue.

There has been a decline in the number of residents making requests to the voucher program. To help address this decline in voucher applications, Staff is recommending a change to the voucher incentive program to increase the incentive for gas logs and electric fireplaces.

Staff is also requesting authorization to continue to use SEED funds for the voucher and/or low income programs. The estimated additional SEED funds to be collected during Fiscal Year 09/10 are \$68,772.

Overview of the Woodstove/Fireplace Change Out Program Funding

When the Board approved the Wood Stove/Fireplace Change out Program in June 2006, it allocated funding from a combination of unspent SEED funds and CEQA mitigation fees. SEED funding is normally allocated through a Request for Proposal (RFP) process. Rule 205, Section 318.5 provides for an alternative process for dispersing SEED funding if the Board determines that there is a need to fund certain pollution reducing programs. The Board previously authorized use of SEED funds collected during Fiscal Years 06/07 through 08/09. Staff is requesting authorization to continue to use SEED funds for the voucher and/or low income programs using the SEED funds collected during Fiscal Year 09/10. The estimated SEED funds to be collected in Fiscal Year 09/10 are \$68,772.

In addition to the SEED funds, additional funding of \$300,000 from CEQA mitigation fees will be requested in the Fiscal Year 09/10 budget. The total funding under these programs will be contingent on Board approval of the Fiscal Year 09/10 budget.

The table below summarizes the total funding allocated to this program:

Total Funding Allocated to Wood Stove/Fireplace Change Out Programs				
	Voucher Program		Low Income Assistance Program	
	SEED Fees	Mitigation Fees	SEED Fees	Mitigation Fees
Program Approval	\$446,420	\$456,716	\$296,580	\$303,420
Added FY 06/07	\$59,944			
Added FY 07/08	\$63,052			\$300,000
Added FY 08/09	\$83,553			\$300,000
Estimated to be added for FY 09/10	\$68,772	\$150,000	-	\$150,000
Total by Program and Fee type	\$721,741	\$606,716	\$296,580	\$1,053,420
Total by Program	\$1,328,457		\$1,350,000	
Total Allocated	\$2,678,457			

Overview of the Voucher Program

The voucher program provides a cash incentive for Sacramento County residents to replace wood stoves and fireplaces. Additional discounts are being provided by most of the participating

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hearth products vendors and retailers. A resident applies for a voucher by filling out an application and submitting the application with a copy of a utility bill to District staff. To qualify, the home must be located in Sacramento County and must be replacing or retrofitting an existing wood burning fireplace or a certified or uncertified wood stove/insert. Staff evaluates the application and issues a voucher to the resident to redeem with the purchase of a qualifying device at a participating retailer. The retailer discounts the price of the device by the voucher value at the time of sale. The District reimburses the participating retailer after work has been completed and all the documentation is submitted. The current incentives are:

Equipment	Current Voucher Levels	
	Other Areas	Environmental Justice Area
Uncertified stove/insert or open hearth fireplaces to gas stove/insert	\$450	\$750
Certified wood stove/insert or pellet stove/insert to gas stove/insert	\$350	\$500
Uncertified stove/insert or open hearth fireplaces to pellet stove/insert	\$250	\$250
Uncertified stove/insert to certified wood stove/insert	\$150	\$150
Open hearth fireplace to gas logs	\$75	\$200
Open hearth fireplace, certified and uncertified wood stove/insert, or pellet stove/insert to electric stove/insert	\$75	\$200
Removal of wood or pellet devices	\$150	\$150

The following table gives the status of both the voucher program since it was initially started in August 2006 and the low income program that began implementing in June 2008. Both programs are ongoing, therefore the number of vouchers issued and change outs reimbursed will increase.

Voucher Program (as of 4/6/09)	
Total Vouchers Issued	2,851
Environmental Justice Areas	882
Other Areas	1,969
Total Voucher Committed	
Environmental Justice Areas	677
Other Areas	1,497
Total Vouchers Reimbursed	
Environmental Justice Areas	633
Other Areas	1,348
Total Monies Reimbursed	
Environmental Justice Areas	\$283,125
Other Areas	\$419,900
Low Income Program (as of 4/6/09)	
Total devices changed	57
Total Monies Paid	\$134,331
Environmental Justice Areas	\$89,841
Other Areas	\$44,490
Total Both Programs	
Total devices changed	2038
Total Monies Paid	\$837,356
Environmental Justice Areas	\$372,966 45% ¹
Other Areas	\$464,390 55%

During the pilot phase and the second phase of the voucher program, staff did outreach through a number of avenues: initial media event, newspaper advertising, TV commercial, community events and utility fliers. Some participating retailers also did newspaper and TV/radio commercials. Staff added information about this change out program on the District's website (www.airquality.org). The consumer can download the voucher from this website. The voucher is available in English and Spanish, but as identified on the website, if assistance in another language is needed, then the District can be contacted. The website is also being used to educate people about the health impacts of wood smoke and how to reduce them through proper use of wood burning devices. Staff also utilized the public meetings for Rule 421, Mandatory Episodic Curtailment of Wood and Other Solid Fuel Burning to inform the public about the wood stove change out program. Staff held a media event on the low income assistance program on December 11, 2008 at a participant's residence that was retrofit with a gas insert. The media event was attended by Director Dickinson, Director Hammond, District staff, CRP, SMUD, and the State Department of Community Service Development. The event was broadcasted on News10.

¹ One of the goals of the Wood Stove/Fireplace Change Out Program is to spend at least 50% of the total money allocated to the program in Environmental Justice Areas.

The table below summarizes the types of change outs that have occurred through the voucher program:

<i>(Status as of April 6, 2009)</i>	Number of Devices
Vouchers Redeemed	1,981
Removed or Modified Equipment	
Open hearth fireplace	1,770
Uncertified Wood Stove/Insert	202
Certified Wood Stove/Insert	2
Pellet Stove/Insert	3
Removal of wood/pellet devices	4
New Equipment	
Gas Stove/Fireplace/Insert	1,153
Gas Log	309
Pellet Stove/Insert	273
Certified Wood Stove/Insert	241
Electric Fireplace	1

Proposed Changes

Increase the incentive level for gas logs and electric devices

When the voucher program was first implemented in the fall of 2006, the average number of vouchers requested was approximately 8 per day. Since the first phase we have seen a decline in voucher requests. During the fourth phase of the voucher program, which began September 2008 and will continue through June 2009, the average number of vouchers requested is approximately 4 per day. One of the factors that may be affecting the number of residents choosing to participate in the program is the current economic times. Under the voucher program one of the cheapest choices that residents can make is to replace their wood or pellet fueled devices with gas logs or electric devices. Gas logs are used for aesthetic burning in fireplaces. The cost of a gas log set ranges from \$450 up to \$1300. If there is no gas line at the fireplace, then the cost to install the gas line will range from \$400 - \$800 depending on how far the gas line is from the fireplace. The installed cost of an electric device ranges from \$575 to \$1000. By increasing the incentive level for these changes, some residents that may be occasional users of their fireplace may find it affordable to make the change. The proposed changes in these incentive amounts are:

Equipment	Current Voucher Level		Proposed Voucher Level	
	Other Areas	Environmental Justice Area	Other Areas	Environmental Justice Area
Open hearth fireplace to gas logs	\$75	\$200	\$300	\$425
Open hearth fireplace, certified and uncertified wood stove/insert, or pellet stove/insert to electric stove/insert	\$75	\$200	\$300	\$425

Make the incentive program available year round

Since the voucher program began its implementations, staff has been implementing the program in distinct phases. Over time, as the retailers have become more familiar with the program, the length of each phase has been extended. In between each phase of the program, staff has received phone calls from residents wanting to participate in the program. Staff would inform the caller of the date the program would start again. Many of these callers complained about the fact that the program was not year round. They needed the additional incentive level to actual make the change happen, but they needed that incentive money to be available when they had enough of their own resources to complete the change. Following Phase 4, which will end June 2009, staff will began implementing the voucher program year round.

Environmental Review

This program will fund the replacement of older, dirtier wood burning devices with new, cleaner, more efficient devices. This will lead to a beneficial impact by reducing the emissions of particulate, NOx and hydrocarbons.

This program qualifies for a Class 8 categorical exemption as an action by a regulatory agency, as authorized by state law, for the protection of the environment (Section 15308 of the state CEQA Guidelines). The exceptions to categorical exemptions for sensitive locations, cumulative impact, significant effect, scenic resources, toxic sites and historical resources do not apply to this incentive program.

California Public Resources Code (Section 21159) requires an environmental analysis of the reasonably foreseeable methods of compliance. The analysis must include the following information for the proposed rule adoption.

1. An analysis of the reasonably foreseeable environmental impacts of the methods of compliance.
2. An analysis of the reasonably foreseeable mitigation measures.
3. An analysis of the reasonably foreseeable alternative means of compliance with the rule or regulation.

Environmental Impacts, Mitigation Measures, and Alternatives

Compliance Methods	Reasonably Foreseeable Environmental Impacts	Reasonably Foreseeable Mitigation Measures
Replace an existing uncertified wood stove/insert with a certified or equivalent device	The replacement of the uncertified device will result in a reduction of PM, NOX and ROG resulting in a beneficial impact.	No mitigation necessary
	The replaced device will be required to be disposed of through a certified recycler. The scrap metal is reprocessed into new steel. There are no potential impacts to the local landfills from the disposal of these devices.	No mitigation necessary
Modify an existing open hearth fireplace by adding a gas insert or gas log.	The replacement of the uncertified device will result in a reduction of PM, NOX and ROG resulting in a beneficial impact.	No mitigation necessary

The District has determined that no reasonably foreseeable environmental impacts will be caused by the proposed incentive program.

Next Steps

If the Board approves Staff's recommended changes in the voucher amounts, then the changed amounts will be reflected in the next phase. At this time, Staff anticipates running the next phase (Phase V) of the program starting September 1, 2009 and continuing year-round thereafter, until the funding is used up, whichever comes sooner. Staff will continue to report yearly to the Board on the status of the change out programs.

Conclusion

The voucher incentive program has been successful, replacing or retrofitting over 1900 wood burning devices. That makes this the most successful replacement program in the nation to date. Staff is recommending changes to the voucher amounts for gas logs and electric devices to help encourage participation in the program during these economic times. In addition, making this program available year-round will allow resident to participate when they may have funds available to do the change out. Staff requests Board approval of the following incentive amounts and options:

Proposed Voucher Levels		
Equipment	Proposed Voucher Levels	
	Non-Environmental Justice Area	Environmental Justice Area
Uncertified stove/insert or open hearth fireplaces to gas stove/insert	\$450	\$750
Certified wood stove/insert or pellet stove/insert to gas stove/insert	\$350	\$500
Uncertified stove/insert or open hearth fireplaces to pellet stove/insert	\$250	\$250
Uncertified stove/insert to certified wood stove/insert	\$150	\$150
Open hearth fireplace to gas logs	\$300	\$425
Open hearth fireplace, certified and uncertified wood stove/insert, or pellet stove/insert to electric stove/insert	\$300	\$425
Removal of wood or pellet devices	\$150	\$150

Staff also requests that the Board authorize the allocation of the SEED funds collected during Fiscal Year 09/10 to the Wood Stove/Fireplace Change Out Program.

Respectfully submitted,

Reviewed by:

 Larry Greene
 Executive Director/Air Pollution Control Officer

 Kathrine Pittard
 District Counsel

Attachment A

Board Resolution

**Proposed Changes to
Wood Stove/Fireplace Change Out Incentive Program**

April 23, 2009

RESOLUTION NO. AQM _____
BOARD OF DIRECTORS OF THE
SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

PROPOSED CHANGES TO
WOOD STOVE/FIREPLACE CHANGE OUT INCENTIVE PROGRAM

WHEREAS, the Board of Directors of the Sacramento Metropolitan Air Quality Management District at the June 22, 2006 Board meeting approved the Wood Stove and Fireplace Change Out Incentive Program and authorized Staff to make adjustments to the program details such as forms and agreements in the future to address any issues that may arise; and

WHEREAS, both coarse (PM10) and fine (PM2.5) particulate are linked to serious health impacts, including premature mortality, acute and chronic bronchitis, asthma attacks and emergency room visits, upper respiratory illnesses, and days with work loss; and

WHEREAS, wood smoke contributes to PM10 and PM2.5 air quality problems in Sacramento County; and

WHEREAS, the Board of Directors of the Sacramento Metropolitan Air Quality Management District has allocated Solutions for the Environment and Economic Development (SEED) funds and CEQA mitigation fees at the June 22, 2006, May 24, 2007, and March 27, 2008 Board meetings to support the overall Wood Stove/Fireplace Change Out Programs; and

WHEREAS, the Board of Directors of the Sacramento Metropolitan Air Quality Management District approved implementation of this program to provide financial incentives to partially offset the cost of the replacement of specified devices for Sacramento County residents on first come, first serve basis until the funds are exhausted; and

WHEREAS, the Board of Directors of the Sacramento Metropolitan Air Quality Management District requested annual updates on this program; and

WHEREAS, the Board of Directors of the Sacramento Metropolitan Air Quality Management District has determined that increases in the incentive levels for gas logs and electric devices will encourage participation in the program during these economic times; and

WHEREAS, the California Environmental Quality Act (CEQA) under Section 15308 of the State CEQA Guidelines exempts projects that are an action by a regulatory agency for the protection of the environment and there are no foreseeable environmental impacts.

NOW, THEREFORE, BE IT RESOLVED THAT this rule project is an action by a regulatory agency for the protection of the environment and there are no foreseeable environmental impacts and, therefore, is exempt from CEQA; and

BE IT FURTHER RESOLVED THAT the Board approves the following incentive levels; and

Equipment	Proposed Voucher Levels	
	Non-Environmental Justice Area	Environmental Justice Area
Uncertified stove/insert or open hearth fireplaces to gas stove/insert	\$450	\$750
Certified wood stove/insert or pellet stove/insert to gas stove/insert	\$350	\$500
Uncertified stove/insert or open hearth fireplaces to pellet stove/insert	\$250	\$250
Uncertified stove/insert to certified wood stove/insert	\$150	\$150
Open hearth fireplace to gas logs	\$300	\$425
Open hearth fireplace, certified and uncertified wood stove/insert, or pellet stove/insert to electric stove/insert	\$300	\$425
Removal of wood and pellet devices	\$150	\$150

BE IT FURTHER RESOLVED THAT the Board approves the use of SEED funding received in FY 09/10 for the overall Wood Stove/Fireplace Change Out Programs; and

ON A MOTION by Director _____, and seconded by Director _____, the foregoing Resolution was passed and adopted by the Board of Directors of the Sacramento Metropolitan Air Quality Management District this 23rd day of April, 2009 by the following vote, to wit:

AYES: Directors

NOES: Directors

ABSENT: Directors

 Chairperson, Board of Directors
 Sacramento Metropolitan Air
 Quality Management District

(SEAL)

ATTEST: _____
 Clerk of the Board of Directors