

**SACRAMENTO METROPOLITAN AIR QUALITY
MANAGEMENT DISTRICT**

For Agenda of **January 25, 2007**

To: Board of Directors
Sacramento Metropolitan Air Quality Management District

From: Larry Greene
Air Pollution Control Officer

Subject: Status Update – Wood Stove/Fireplace Changeout Incentive Program

Recommendation

Staff recommends approval of changes to the program details resulting from analysis of implementation of pilot program.

Executive Summary

On June 22, 2006, the District's Board approved Staff's recommendation to implement a residential Wood Stove/Fireplace Changeout 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 ones. A total of \$1,503,136 was allocated to this program. There are two components to the changeout program. The first component is a voucher program to give incentive for the replacement of existing dirty wood burning appliances with cleaner appliances. The second component is a low income assistance program that will fully fund the replacement of existing dirty wood burning appliances for qualified applicants. The Board directed staff to return to the Board in January 2007 with a report back on the pilot voucher program.

The pilot voucher program was implemented from August 15, 2006 – September 30, 2006. \$62,675 was expended to retrofit or replace almost 200 stoves and fireplaces with cleaner devices and reduce particulate matter emissions by over 3 tons per year.

The next phase of the voucher program is scheduled to begin February 1, 2007 and end on May 31, 2007. Staff recommends changes in the outreach and the funding provided for replacements and retrofits in environmental justice areas and gas log inserts.

Staff is continuing to develop a low income assistance program which will provide full replacement cost for low income residents with income at or below 60% of the State's median income. This program may be implemented through a partnership with Community Resource Project Incorporated (CRP), a non-profit agency serving the needs of low income residents in Sacramento County. This agency provides services such as weatherization assistance and home energy assistance and other services to low income residents. This agency is funded by governmental grants and funds from utility companies.

Overview of Pilot Program

The voucher program provided a cash incentive to replace dirty wood stoves and fireplaces. The vouchers ranged from \$25 to \$350. The pilot program vouchers were issued from August 15 – September 30, 2006. The vouchers were redeemed by the retailers with approved agreements with the District. The District's website listed the participating retailers. The retailers applied a price reduction to customers who had approved vouchers at the time of sale and then requested re-imbursement of the deferred costs from the District after the installation of the new device. In addition, the retailers and manufacturers gave additional discounts during this time period. At the time for reimbursement, the retailers provided proof of the sale, and installation of the new device and disposal at a recycler of the old device. Qualifying equipment had to be installed by December 31, 2006.

Several outreach opportunities were provided for the pilot program including; a press event, paid newspaper advertising, and utility bill inserts. A few retailers with television and newspaper advertising also mentioned the voucher program. The press event was held on August 23, 2006 at Schnitzer Steel, a local metal recycler located in Rancho Cordova. District Board member Kevin McCarty, Executive Director Larry Greene, Kerry Drake, Assistant Air Director for EPA Region 9, and John Crouch, Director of Public Affairs for the Hearth, Patio and Barbecue Association (HPBA) spoke at the press event. Several clean devices were in operation at the event. We received media coverage on the local news stations, including ABC, CBS, FOX and NBC. The event was attended by the public, some local hearth product retailers, other districts, and environmental groups.

Staff advertised this program in the neighborhood sections of the Sacramento Bee for the City, North, Northeast and Arden/Carmichael zones and in the Galt Herald, and the Rancho Cordova Grapevine Independent newspapers. Utility bill inserts were mailed to residents in the unincorporated areas of Sacramento County, Elk Grove, Citrus Heights, Rancho Cordova, Folsom, Sacramento, Isleton and the Rancho Murieta Community Services District. This flyer was distributed starting in August and continued throughout the fall. The flyer referred interested residents to our website for more information about the wood stove/fireplace changeout incentive program. In addition to the voucher program, the utility bill inserts also discussed health impacts of wood smoke and ways to reduce those impacts.

Results of Pilot Program

In June, the Board approved using up to \$300,000 for the pilot program. Half of this money was set aside to be used in environmental justice areas. Between August 15 and September 30, 2006, staff issued a total of 346 vouchers to consumers. Of the 346 vouchers, 284 were submitted as potential commitments to buy. To date, we have received re-imbursement requests for 206 of the vouchers. Retailers had until December 31, 2006 to install the new devices so we anticipate receiving a couple of more vouchers for re-imbursement. The following table summarizes the program results to date.

Description	Environmental Justice Areas	Other Areas
Monies Allocated for pilot program	\$150,000	\$150,000
Total Vouchers Issued = 346	100	246
Total Vouchers Potentially Committed = 284	87	197
To date Vouchers submitted for reimbursement = 205	64	141
Total Monies submitted for reimbursement	\$18,575	\$46,100

The majority of the voucher applications received was for the retrofitting of open hearth wood fireplaces. The table below summarizes the total voucher applications received by device type.

Description	Environmental Justice Areas	Other Areas
Vouchers Issued = 346	100	246
Old dirty devices		
Total Open Hearth Fireplaces = 276	77	199
Total Uncertified Stoves/Wood inserts = 70	23	47
New cleaner burning devices Installed		
New stoves/Wood Inserts = 47	21	26
New Gas Inserts = 75	18	57
New Pellet Stoves/Pellet Inserts = 75	20	55
Gas Logs = 8	5	3

Staff estimated that the first phase of this program will result in approximately 3.2 tons per year of PM10 emissions reductions. Of this reduction, 3.1 tons would be PM2.5.

Evaluation of the Pilot Program

Staff was pleased with the overall success of the program even though we did not fully expend the monies allocated to the pilot program. During the same time frame as our pilot program, programs were also being undertaken in Dayton, Ohio and at the Yolo-Solano Air District. We were able to change out over 200 devices during our pilot phase. Dayton changed out about 85 devices and Yolo/Solano changed out 26 devices. It was always anticipated that we may not be able to fully expend the amount of monies available to the pilot phase and that we would roll any unexpended funds into the next phase. It has also been anticipated that this program would be a multi-year program.

In addition, the funding allocation did not reach the environmental justice goal of 50% and adjustment to the program to address this issue is discussed below. The unspent environmental justice funding will be rolled into the next phase to be used in environmental justice areas.

Staff met with the HPBA and the local retailers to solicit feedback from the pilot program. Staff also evaluated consumer comments. As a result of this feedback and staff's evaluation of program participation levels staff proposes several adjustments to the program in the next phase. Adjustments are proposed in outreach efforts, extending the voucher program timeframes, streamlining vendor paperwork, and increasing incentive levels in environmental justice areas and for gas logs.

Outreach

The press event occurred on August 23, 2006, 8 days after the start of the program. The District's newspaper advertising began September 13, 2006. The voucher applicants primarily indicated they either heard about the program from their local retailer or that they heard about the program from the newspapers.

Staff recommends repeating the newspaper outreach, but increase the outreach to increase program participation, especially in environmental justice areas. Staff does not recommend a press event for this next voucher opportunity.

Staff will be placing ads in the following neighbor sections of the Sacramento Bee: Northeast, City/North, and Carmichael/Arden. This is one fewer neighbor section ad because the Bee combined the City and the North Neighbors into one distribution. Staff will also repeat advertising in the Galt Herald, and Rancho Cordova Grapevine Independent.

Staff is also placing ads in the Penny Saver. This is intended to increase overall outreach. Penny Saver is delivered to 194,000 households, and because it is free to the public, this may enhance outreach to environmental justice communities. Channel 40 also offered to cost share and produce television spots about this program, health information, and other wood burning tips to be aired in March.

A free booth at the Sacramento Home and Garden show at the Convention Center on January 5 – 7th was provided by American Shows of California. Staff provided information on the incentive program, clean wood burning tips, and health effects of particulate matter pollution.

Extension of timeframe

Consumers have continued to contact the District about the voucher program and some of them have wanted to know why they did not qualify for the voucher after September 2006. In addition, the District's Environmental Justice assessment contractor preliminarily recommended increasing the duration of the program, ideally to a year round program.

Staff explored with the retailers and the HBPA extending the voucher program, potentially to year round. The HBPA and retailers had concerns over extending the program to year round. They had two primary concerns: 1) the time commitment from the retailers in documenting the necessary information for the program; and 2) without setting specific deadlines, consumers will not be motivated to make a decision to change. The local retailers agreed to extend the timeframe through the end of May 2007, two months longer than the pilot program. However, the additional manufacturer's rebates would likely only be available during February and March.

Paperwork Streamlining

Staff worked with the local retailers to identify areas that could be streamlined in the paperwork. Staff will consolidate the Voucher with the Retailer Certification Form, which will eliminate the need for completing two forms.

Incentive levels

The pilot program provided a \$25 incentive for gas logs, which is about 10% of the cost of the logs. Retailers recommended increasing the incentive amount for gas logs. It was identified in the pilot program that there could be a need for glass doors in some installations, which would increase the cost by up to \$400. Staff is proposing to increase the incentive for gas logs to \$75.

Staff recommends increasing the incentive levels for residences located in environmental justice areas to increase participation levels. Staff proposes an increase of \$150 for participants in those areas that are installing either an insert or a stove. A \$125 increase is being proposed for these areas for gas logs because of their lower overall cost.

Staff recommended incentive level changes are:

	Pilot Phase Levels	Proposed for Non-EJ areas	Proposed for EJ areas
Pellet or Gas Insert/stove	\$350	\$350	\$500
Wood insert/stove	\$250	\$250	\$400
Gas Log	\$25	\$75	\$200

Low income residences in all areas, including those in environmental justice areas, will be eligible for incentives that cover the full cost when the low income program takes effect. It is anticipated that the low income assistance programs may also help increase participation in environmental justice areas.

Low Income Program Development Update

In June, the Board reserved \$600,000 of the \$1.5 million available funding for a low income assistance program. The objective of the low income program is to reimburse qualifying low income customers for the full cost of the unit and the installation. This program will be available to owners and renters who qualify as low income residents. Qualification will be based on federal low income guidelines. A sample of these guidelines is included in Attachment A. Staff will be continuing to work to identify additional criteria to be used in qualifying low income renters such as the length of their lease or whether the property is part of Section 8 housing. Participating residents will be required to provide proof of their income, such as the previous year tax returns, to demonstrate they meet the low income criteria.

Staff identified two non-profit local groups interested in assisting with our low income program. The first non-profit agency, Sacramento Mutual Housing Association, owns and manages some low income properties in the Sacramento County. This agency expressed interest in retrofitting or replacing wood burning devices in their eligible properties. Properties would qualify for assistance if their renters meet the low income criteria.

The second non-profit agency, Community Resource Project, is directly involved in providing several services to low income residents in Sacramento County. Their services include weatherization and replacement of broken or old heating and air conditioning systems, and installing heating and cooling systems. This agency has construction contractors on staff that could be trained to do the installation work associated with this program. Community Resource Project would obtain the necessary training for their staff to be a certified installer. This agency is currently exploring their funding sources to determine whether it can be used to fund the installation costs for these devices.

Staff recommends pursuing an agreement with Community Resource Project because: 1) they could provide additional funding for installation costs, 2) it would increase the outreach of the program to consumers who attend the De La Familia festival and other community events and meetings, and 3) they have experience directing participants to a limited set of the most efficient equipment designed for individual circumstances. In addition, Community Resource Project already has in place programs to help low income residents pay their utility bills.

Staff also contacted SMUD, PG&E, Sacramento Housing and Redevelopment Agency, Purple Heart, and Local Conservation Corp. These agencies could not participate at this time because either they have limited resources or their program structure makes it infeasible for them.

Current Proposal for the Low Income Assistance Program

Staff's preliminary thoughts for a low income assistance program include:

1. Pay the full cost of the replacement or retrofitted device not to exceed a maximum cost incentive of \$3,500 for a gas insert and \$2,500 for a wood stove or wood insert.
2. Require gas inserts if the home has gas service available. Gas fired devices have the lowest particulate matter emissions.
3. Allow wood stoves or inserts if gas is unavailable or if it is too costly to install a gas line extension within the home.
4. Require documentation verifying: a) an existing device in the home, b) recycling of the old device (if removed) and c) installation of a qualifying device.
5. Require that all installations be done in accordance with local building code and documentation that receipt of the required permit is documented.

Next steps for low income program

Staff hopes to develop a contract with the Community Resource Project for Board approval in March 2007. The contract will require compliance with low income program restrictions described above and regular reporting of program performance.

Staff is also discussing opportunities for low income residents to participate through direct contact with retailers.

Staff is investigating low income programs in other areas. The City of Fresno, for example, is developing a grant proposal to implement a woodstove changeout program for low income residents. Staff is exploring potential loan subsidies for residents in environmental justice areas

that may not qualify under the low income program, but do not have the cash readily available to pay for the cost of the new appliance. Staff is also considering a rebate program such as those offered by SMUD and PG&E for appliances.

Conclusion

The pilot program was very successful, replacing or retrofitting almost 200 wood burning devices and reducing wood smoke by over 3 tons per year. Staff evaluated the pilot program and is recommending several enhancements for the second phase, particularly to increase participation in environmental justice areas.

The second phase of this program begins February 1 and ends May 31, 2007. Staff requests Board approval of the proposed increases in the incentive amount.

	Pilot Phase Levels	Proposed for Non-EJ areas	Proposed for EJ areas
Pellet or Gas Insert/stove	\$350	\$350	\$500
Wood insert/stove	\$250	\$250	\$400
Gas Log	\$25	\$75	\$200

Staff plans to return to the Board in March 2007 for approval of a proposed low income assistance program and, if possible, a proposed contract with the Community Resource Project.

Respectfully submitted,

Larry Greene
Air Pollution Control Officer
Sacramento Metropolitan
Air Quality Management District

Approved as to form:

Katherine Pittard
District Counsel
Sacramento Metropolitan
Air Quality Management District

Attachment A
Sample Low Income Guidelines

Income Guidelines (subject to change)	
Number of Persons in Household	Monthly Income
1	\$1,763.13
2	\$2,305.65
3	\$2,848.16
4	\$3,390.66
5	\$3,933.17
6	\$4,475.68
7	\$4,577.40
8	\$4,679.12
9	\$4,780.84
10	\$4,882.56
11	\$4,984.28
12	\$5,086.00