

EXHIBIT A

Grant Provisions

1. GRANT SUMMARY AND CONTACT INFORMATION

- 1.1. The parties agree to comply with the requirements and conditions contained herein, as well as all commitments identified in the following documents:
 - a. *Woodsmoke Reduction Program – Program Guidelines Fiscal Year 2021-22 Appropriation* (Program Guidelines) dated February 15, 2023, and found in Exhibit F of this Grant Agreement; and
 - b. The most recent version of the *California Climate Investments Funding Guidelines for Administering Agencies* (Funding Guidelines), found on the Cap-and-Trade Auction Proceeds Funding Guidelines for Administering Agencies website at <https://ww2.arb.ca.gov/resources/documents/california-climate-investments-funding-guidelines-administering-agencies> and incorporated by reference herein.
- 1.2. The Woodsmoke Reduction Program (Program) is part of California Climate Investments, a statewide program that puts billions of Cap-and-Trade dollars to work reducing greenhouse gas emissions, strengthening the economy, and improving public health and the environment-particularly in disadvantaged communities. The Program as implemented at the air pollution control district or the air quality management district (District) is referred to as the Project.
- 1.3. California Climate Investments (CCI) logo and name serves to bring under a single brand the many investments whose funding comes from the Greenhouse Gas Reduction Fund (GGRF). The logo represents a consolidated and coordinated initiative by the State to address climate change by reducing greenhouse gases, while also investing in disadvantaged communities and achieving many other co-benefits. Grantee agrees to acknowledge the California Climate Investments program whenever projects funded, in whole or in part by this Agreement, are publicized in any news media, websites, brochures, publications, audiovisuals, or other types of promotional material. The acknowledgement must read as follows: 'This publication (or project) was supported by the "California Climate Investments" (CCI) program. Guidelines for the usage of the CCI logo can be found at <http://www.caclimateinvestments.ca.gov/logo-graphics-request>.



1.4. Grant Summary

Program Title: Woodsmoke Reduction Program 2021-2022

Grant Funding Amount: \$245,250.00

The Woodsmoke Reduction Program is a GGRF-funded program designed to replace high-polluting, uncertified wood stoves, wood inserts, and fireplaces used for primary home heating with cleaner burning, more efficient home heating devices. The 2021-2022 GGRF appropriation committed \$5,000,000 for this Program. The Program will be administered by CARB and implemented by the District in coordination with the California Air Pollution Control Officers Association (CAPCOA). The role of CAPCOA is to centralize and standardize Program implementation. This Program will further the goals of Assembly Bill 32 (Nunez, Chapter 488, Statutes of 2006) and related statutes (comprising Health and Safety Code Division 25.5) to reduce greenhouse gas emissions, as well as provide important co-benefits in reducing black carbon emissions and improving air quality.

Residents using uncertified wood stoves, wood inserts, or fireplaces as a primary home heating source in Districts awarded Program funds are eligible for incentives. The incentive amount will vary depending on the type of replacement device, location of the residence, and the household income, with low-income households and households in disadvantaged or low-income communities or on tribal lands qualifying for higher incentives. The Program will include an outreach and educational component to ensure that households receiving incentives make informed decisions about how to burn and what to burn to maximize the efficiency of the device and minimize pollution.

1.5. Grant Parties and Contact Information

- a. This grant is from CARB to the Northern Sierra Air Quality Management District (hereinafter referred to as Grantee). The Grantee will perform the activities outlined in Section 4, Scope of Work, and Attachment I, Grantee Scope of Work.
- b. The CARB Program Liaison is Kasia Turkiewicz or another designee appointed by CARB. Correspondence regarding this Program shall be directed to:

Kasia Turkiewicz
California Air Resources Board
Air Quality Planning and Science Division
Post Office Box 2815
Sacramento, California 95812
Phone: (279) 208-7743
Email: kasia.turkiewicz@arb.ca.gov

- c. The Grantee Liaison is Julie Hunter or another designee appointed by Grantee. Correspondence regarding this Program must be directed to:

Ms. Julie Hunter
Interim Air Pollution Control Officer
Northern Sierra Air Quality Management District
200 Litton Drive, Suite 320
Grass Valley, CA 95945
Phone: (530) 274-9360
Email: julieh@myairdistrict.com

- 1.6. Definitions for terms used in this Grant Agreement can be found in Section 16.

2. GOVERNING BOARD APPROVAL

- 2.1. Prior to the execution of this Grant Agreement, the Grantee is required to submit to CARB a resolution, minute order, or other approval of its governing board that authorizes the Grantee to enter into this Grant Agreement and that commits the Grantee to comply with the requirements of this Grant Agreement. Alternatively, the Grantee and CARB may execute this Grant Agreement before a Grantee has submitted this governing board resolution, minute order, or other approval to CARB; however, the Grantee may not perform work under this Grant Agreement, and no funding will be disbursed until the Grantee has submitted this governing board resolution, minute order, or other approval to CARB.

3. PROGRAM PERIOD

- 3.1. Performance of work or other expenses billable to CARB under this Grant may commence after full execution of this Grant Agreement by both parties and Grantee's submission to CARB of its governing board's resolution, minute order, or other approval, described in Section 2 of this

Grant Agreement. Performance on this Grant ends once the Grantee has submitted a draft final report (Project Closeout) or if this Grant Agreement is terminated, whichever is earlier.

- 3.2. Upon full expenditure of grant funds, the Grantee shall submit a Project Closeout report to the CARB Program Liaison (see Section 12.2.d of this Grant Agreement) after Program completion.
- 3.3. Funds that Grantee has not liquidated by June 30, 2025, must be returned to CARB within ninety (90) days, or by September 30, 2025. Expenditure of Project funds granted may not be reduced due to any loss incurred in an insured bank or investment account.
- 3.4. If additional funding becomes available, the CARB Executive Officer in his sole discretion retains the authority to amend this Grant to provide additional disbursement to the Grantee to complete tasks related to the Scope of Work for this Grant Agreement.

4. SCOPE OF WORK

This section defines the nature of the Program and respective duties and requirements of CARB, the Grantee, and CAPCOA in implementing this Grant Agreement.

- 4.1. The Program will provide incentives towards the replacement of existing uncertified residential wood burning stoves, wood inserts, or fireplaces used for primary space heating with the Program-eligible replacement devices listed in Section 4.2.
- 4.2. Only the following types of home heating devices are eligible for incentives: electric stove heaters, electric heat pumps, pellet stoves, hybrid wood stoves, catalytic wood stoves, and select non-catalytic wood stoves listed in Table 1. Pellet or wood burning stoves must meet the current New Source Performance Standards (NSPS) to be eligible for incentives.

Table 1. Non-Catalytic Wood Stoves Eligible for Incentives

Manufacturer Name	Model Name	Annual Avg Emission Rate (grams/hr)
Energy Distribution	Invicta Group: Kazan, Kazan GA, Kiara, and Kiara GA	1.8
Energy Distribution	Gaya Ardoise, Itaya, Onyx, Gaya Feuille, Symphonia, Antaya, Theia, Akan	1.9
HHT/Hearth and Home Tech	21M-ACC-C, Discovery-1-C	1.7
Hearth and Home Technologies	Quadra Fire Expedition II and Vermont Castings Montpelier II	1.8

- 4.3. Any wood stove removed through this Program must be rendered permanently inoperable and recycled, if recycling is available in the area. If the replacement device is a ductless mini-split heat pump, household may be allowed to retain the old wood burning device to serve as emergency heat in case of a power outage. The approval to retain the old device will be granted on a case-by-case basis by the District. Households would be required to sign an agreement to use their old device only in case of a power outage.
- 4.4. Incentives offered by other programs can be combined with ones offered by this Program to reduce households' out-of-pocket costs providing the sum of all incentives does not exceed the actual cost of the project and the change-out conforms to all Program requirements.
- 4.5. CARB is responsible for the following:
 - a. Participating in meetings with Grantee to discuss Program refinements and guide the administration of the Program.
 - b. Reviewing and, if appropriate, approving Project elements provided by Grantee.
 - c. Reviewing and, if appropriate, approving all grant disbursement requests and distribution of funds to Grantee.
 - d. Working with Grantee and CAPCOA to develop templates for data and report submittals at both Program and Project levels.
 - e. Providing Project oversight in conjunction with Grantee and CAPCOA.

- f. Ensuring Grantee complies, and ensures Project compliance, with applicable requirements of the Program Guidelines, Funding Guidelines, and this Agreement.
- g. Reviewing data and reports submitted by Grantee.
- h. Submitting semi-annual reports to the California Climate Investment Reporting and Tracking System (CCIRTS).
- i. Reviewing a sufficient number of Projects (number determined by CARB Program Liaison) each year to ensure proper Program implementation as directed by both Program and Funding Guidelines.

4.6. Grantee is responsible for the following:

Developing and implementing Project tasks as described below and in Attachment I, Grantee Scope of Work. Minimum duties and requirements of Grantee include:

- a. Implementing the Project as outlined in the Program Guidelines.
- b. Participating in a Project kick-off meeting or conference call with CARB staff and CAPCOA before work begins. The purpose of the initial meeting will be to discuss the overall plan, Program schedule, Project reporting, and any issues that may need to be addressed.
- c. Participating in more frequent meetings that may be scheduled at the discretion of the CARB Program Liaison, CAPCOA, and the Grantee.
- d. Ensuring that all Project tasks are completed during the period of this grant.
- e. Apprising the CARB Program Liaison of any delays in implementing the scope of work below.
- f. Overseeing the Project budget and funds.
- g. Abiding by the insurance requirements in Section 10 of this Grant Agreement.
- h. Collecting and maintaining records in accordance with Section VI of the Program Guidelines as well as Section 7 of this Grant Agreement to comply with reporting and program review requirements.
- i. Ensuring that only licensed professionals will be used to perform services under this Grant Agreement. Professional installers could participate in the Program if they have a minimum of three (3) years of experience installing home heating devices to manufacturer specifications and possess an appropriate active license issued by the California Contractors State License Board throughout the life of the

contract. Exhibit B lists acceptable licenses for each type of installation.

- j. Coordinating with CAPCOA on the submission of required reports as specified in Section 12 of this Grant Agreement.
- k. Promoting the Program with the emphasis on low-income households and households located in disadvantaged or low-income communities or on tribal lands with the goal to distribute 75 percent of Project funds to these priority populations.

4.7. CAPCOA is responsible for the following:

- a. Serving as an intermediary between CARB and Grantee in Project implementation.
- b. Monitoring Grantee's progress in Project implementation and apprising CARB Program Liaison of any problems or delays.
- c. Communicating regularly with CARB and Grantee on Project implementation.
- d. Acting as a clearing house to facilitate the exchange of information, including Program-related forms, examples of advertisements, examples of reports and other related information, between Grantee and other Districts participating in the Program.
- e. Coordinating with Grantee on the submission of required reports consistent with Section 12.
- f. Submitting required reports to CARB consistent with Section 12.

5. FINANCIAL MATTERS AND GRANT DISBURSEMENTS

5.1. Budget

- a. The maximum amount of this Grant is **\$245,250.00**. Under no circumstance will CARB reimburse the Grantee for more than this amount. A written Grant Agreement amendment is required whenever there is a change to the amount of this Grant.
- b. The budget for this Project is shown in Exhibit C. Grant Disbursement Requests for the total Grant amount must not exceed the amount shown in Exhibit C. Project implementation costs also must not exceed the amount shown in Exhibit C. All of the Project implementation funds may be used for direct costs, but indirect costs are limited to the amount shown in the Exhibit C, Budget Summary.
- c. The total funding may be reallocated by CARB at CARB's sole discretion in the event that the Grantee requests less than the total

funds allocated for the Project for all Project activities performed during the term of the Grant Agreement.

5.2. Advance Payment

Consistent with the Legislature's direction to expeditiously disburse grants, CARB in its sole discretion may provide advance payments of grant awards in a timely manner to support program initiation and implementation with a focus on mitigating the constraints of modest reserves and potential cash flow problems.

Recognizing that appropriate safeguards are needed to ensure grant monies are used responsibly, CARB has developed the grant conditions described below to establish control procedures for advance payments. CARB may provide advance payments to Grantee of a grant program or project if CARB determines all of the following.

- a. The advance payments are necessary to meet the purposes of the grant project.
- b. The use of the advance funds is adequately regulated by grant or budgetary controls.
- c. The request for application or the request for proposals contains the terms and conditions under which an advance payment may be received consistent with this section.
- d. The Grantee is either a small air district or the Grantee meets all of the following criteria:
 - i. Has no outstanding financial audit findings related to any of the moneys eligible for advance payment and is in good standing with the Franchise Tax Board and Internal Revenue Service.
 - ii. Agrees to revert all unused moneys to CARB if they are not liquidated within the timeline specified in the Grant Agreement.
 - iii. Submits a spending plan to CARB for review prior to receiving the advance payment. The spending plan shall include project schedules, timelines, milestones, and the Grantee's fund balance for all state grant programs.
 - iv. CARB shall consider the available fund balance when determining the amount of the advance payment.
 - v. Reports to CARB any material changes to the spending plan within thirty (30) days.
 - vi. Agrees to not provide advance payment to any other entity.
- e. In the event of the nonperformance of the Grantee, CARB shall require the full recovery of the unspent moneys. The Grantee shall

provide a money transfer confirmation within forty-five (45) days upon the receipt of a notice from CARB.

- f. The Grantee must complete and submit to CARB for review and approval, an Advance Payment Request Form, along with each grant disbursement that is requesting advance payment. The Advance Payment Request Form shall be provided by CARB to the Grantee after the grant execution.
- g. CARB may provide an advance of the direct project costs of the grant, if the program has moderate reserves and potential cash flow issues. Advance payments will not exceed the Grantee's interim cash needs.
- h. The Grantee assumes legal and financial risk of the advance payment.
- i. Grantee shall place funds advanced under this section in an interest-bearing account. Grantee shall track interest accrued on the advance payment. Interest earned on the advance payment shall only be used for eligible grant-related expenses as outlined in Sections 4, 8, 9, and 17 or will be returned to CARB.
- j. Grantee shall report to CARB the value of any unused balance of the advance payment and interest earned and submit quarterly fiscal accounting reports consistent with Section 12 of this Grant Agreement.
- k. Grantee shall remit to CARB any unused portion of the advance payment and interest earned within ninety (90) days following the end date of this Grant Agreement term on June 30, 2025, or the reversion date of the appropriation, whichever comes first.

5.3. Grant Disbursement

All disbursements from the total Grant award will be made following CARB's review and approval of any Grant Disbursement Request Forms.

- a. CARB shall disburse funds in accordance with the California Prompt Payment Act, Government Code Section 927, et. Seq.

6. SUSPENSION OF PAYMENT AND GRANT AGREEMENT TERMINATION

- 6.1. CARB reserves the right to issue a grant suspension order in the event that a dispute should arise. The grant suspension order will be in effect until the dispute has been resolved or the Grant Agreement has been terminated. If the Grantee chooses to continue work on the Project after receiving a grant suspension order, the Grantee will not be reimbursed for any expenditure incurred during the suspension in the event CARB terminates the Grant Agreement. If CARB rescinds the suspension order

and does not terminate the Grant Agreement, CARB at its sole discretion will reimburse the Grantee for any expenses incurred during the suspension that CARB deems reimbursable in accordance with the terms of the Grant Agreement.

- 6.2. CARB reserves the right to terminate this Grant Agreement upon thirty (30) days' written notice to the Grantee, if CARB determines that the Program has not progressed satisfactorily after conducting a Project review (Section 11.5 of this Grant Agreement) or if the Grantee has violated the grant agreement and the Grantee and CARB have been unable to agree on modifications to the Project. In case of early termination, the Grantee will submit a Progress Report covering activities up to, and including, the termination date and following the requirements specified herein and in Section 12.
- 6.3. CARB reserves the right to immediately terminate this Grant Agreement in accordance with general grant provisions outlined in Section 15.
- 6.4. CARB or its designee may recoup funds that were received based upon misinformation or fraud, or for which a Grantee, District, or subcontractor is in significant or continual non-compliance with the terms of this grant or State law. CARB also reserves the right to prohibit any entity from participating in future projects, due to non-compliance with Program requirements. Examples of Program deficiencies include.
 - a. Replacing a wood stove, wood insert, or fireplace not eligible for the Program;
 - b. Installing a device not eligible for the Program;
 - c. Issuing an Enhanced Incentive to an ineligible Applicant;
 - d. Failing to properly document each change-out;
 - e. Failing to properly dispose of the old stove;
 - f. Allowing an Applicant to install his/her replacement device; and
 - g. Failing to submit required reports.

7. PROJECT RECORDS

- 7.1. Grantee will develop and maintain accounting procedures as further described below. Project records include but are not limited to Grantee's financial and other records. All Project records must be retained by the Grantee for a period of three (3) years after the final Project funds liquidation date of June 30, 2025 and shall be stored in a secured and safe storage facility that maintains confidentiality and provides fire and natural disaster protection. All Project records are subject to program review and State audit pursuant to Section 13 of this Grant Agreement. Upon completion of the third (3rd) year of record

retention, the Grantee shall take all reasonable steps to dispose, or arrange for the disposal, of records containing Personally Identifiable Information by (a) shredding, (b) erasing, or (c) otherwise modifying the personal information in those records to make it unreadable or undecipherable through any means.

- 7.2. Without limitation of the requirement to maintain Project accounts in accordance with generally accepted accounting principles, the Grantee must:
 - a. Establish an official file for the Project that will adequately document all significant actions relative to the Project.
 - b. Establish separate accounts that will adequately and accurately depict all amounts received and expended on the Project.
 - c. Establish an accounting system that will adequately depict final total costs of the Project, including both direct and indirect costs.
- 7.3. Other records include all deliverables required under Section 12 of this Grant Agreement and those specified in the Program Guidelines.
- 7.4. Grantee will ensure that applicants are made aware that information collected under the auspices of this Program, with the exception of confidential or personally identifiable information as noted in Section 15.23 of this Grant Agreement, may be made publicly available to the extent allowed by federal, State, and local laws and regulations.

8. DOCUMENTATION OF USE OF PROJECT FUNDS

- 8.1. The Grantee must maintain documentation of all Project funds including the following:
 - a. Application, including affidavit of primary source of heat;
 - b. Verification of old device eligibility;
 - c. Verification of new device eligibility;
 - d. Verification of income (if applicable);
 - e. Copy of final permit (City, County, or State);
 - f. Photographic evidence of change-out completion, including "before" and "after" photos showing the devices in relation to the room where they were/are installed;
 - g. Verification of destruction of uncertified stove (including recycling if available locally) or, where applicable, verification of rendering fireplace and chimney permanently inoperable;
 - h. Verification that the resident was trained on device operation and maintenance and, if applicable, following best practices in wood

storage and wood burning for residential space heating; and

- i. Invoices from installer and a verification of payment.

If selected for a Program Review, Grantee must make this documentation available to CARB staff. An abbreviated listing of completed change-outs and associated costs must be submitted to CARB with each quarterly Fiscal Report.

9. DOCUMENTATION OF USE OF PROJECT IMPLEMENTATION FUNDS

- 9.1. Project implementation funds may be used for implementing the tasks identified in the Scope of Work. The total cost of implementing the Project must not exceed the amount specified in Exhibit C, Budget Summary. All of the Project implementation funds may be used for direct costs, but indirect costs are limited to the amount shown in the Exhibit C, Budget Summary.
- 9.2. Project implementation costs include cost of labor and expenses directly related to implementing the Project (direct cost) as well as costs not tied directly or solely to the Project (indirect costs also referred to as administrative costs).
 - a. Direct project implementation costs, directly related to implementing the Project, include the following:
 - i. The Grantee's personnel costs;
 - ii. Fringe benefit costs;
 - iii. Operating costs (including rent, supplies, and equipment);
 - iv. Travel expenses and per diem rates set at the rate specified by California Department of Human Resources (CalHR)¹;
 - v. Overhead;
 - vi. Consultant fees (if pre-approved by CARB); and
 - vii. Printing, records retention, and mailing costs.
 - b. Indirect project implementation costs, not tied directly or solely to the Project, also referred to as administrative costs, include the following:
 - i. Distributed administration and general administrative services;
 - ii. Non-project related contracts or subscriptions;
 - iii. Rent and office space, phones and telephone services, printing, or mailing services not associated with staff working on the project; and

¹ Under no circumstances should the Grantee exceed travel expenses and per diem rates set by CalHR.

- iv. Any other costs that are not directly and fully incurred to support the grant.
- 9.3. The Grantee must maintain documentation of all direct and indirect Project implementation costs, including the following:
- a. Personnel documentation must make use of timesheets or other labor tracking software. Duty statements or other documentation may also be used to verify the number of staff and actual hours or percent of time staff devoted to Project administration.
 - b. Administration funds for subcontractor(s) must be documented with copies of the contract and any applicable invoices.
 - c. Printing, mailing, records retention, and travel expenses must be documented with receipts and/or invoices.
 - d. Any reimbursement for necessary travel and per diem must be at rates not to exceed those amounts paid to the State's represented employees. No travel outside the State of California will be reimbursed unless prior written authorization is obtained from CARB. CalHR's travel and per diem reimbursement amounts may be found online at <http://www.calhr.ca.gov/employees/pages/travel-reimbursements.aspx>. Reimbursement must be at the State travel and per diem amounts that are current as of the date costs are incurred by the Grantee; and
 - e. If indirect costs are used to document administration funds for the Project, the Grantee must indicate how these costs are determined.
- 9.4. The above documentation, records, and referenced materials must be made available for review during monitoring visits and audits by CARB, or its designee. These records must be retained for a minimum of three (3) years after the final Project funds liquidation date of June 30, 2025.
- 9.5. The above documentation must be provided to CARB in the Final Report.

10. INSURANCE REQUIREMENTS

10.1. General Provisions

- a. Coverage Term: Coverage needs to be in force for the complete term of the Project agreement. If insurance expires during the term of the Project agreement, a new certificate must be received by the State at least ten (10) days prior to the expiration of this insurance. Any new insurance must still comply with the original terms of the Project agreement.
- b. Policy Cancellation or Termination and Notice of Non-Renewal:

Installer/contractor is responsible to notify the State within five (5) business days before the effective date of any cancellation, non-renewal, or material change that affects required insurance coverage. In the event installer/contractor fails to keep in effect at all times the specified insurance coverage, the State may, in addition to any other remedies it may have, terminate the Project agreement upon the occurrence of such event, subject to the provisions of this Grant Agreement.

- c. Deductible: Installer/contractor is responsible for any deductible or self-insured retention contained within their insurance program.
- d. Primary Clause: Any required insurance contained in the Project agreement shall be primary, and not excess or contributory to any other insurance carried by the State.
- e. Insurance Carrier Required Rating: All insurance companies must carry a rating acceptable to the Office of Risk and Insurance Management. If the installer/contractor is self-insured for a portion or all of its insurance, review of financial information including a letter of credit may be required.
- f. Endorsements: Any required endorsement must be physically attached to all requested certificates of insurance and not substituted by referring to such coverage on the certificate of insurance.
- g. Inadequate Insurance: Inadequate or lack of insurance does not negate the installer/contractor's obligations under the Agreement.
- h. Satisfying an SIR: All insurance required by this Grant Agreement or the Project agreements must allow the State to pay and/or act as the installer/contractor's agent in satisfying any self-insured retention (SIR). The choice to pay and/or act as the installer/contractor's agent in satisfying any SIR is at the State's discretion.
- i. Available Coverages/Limits: All coverage and limits available to the installer/contractor shall also be available and applicable to the State.
- j. Subcontractors/Manufacturers: In the case of installer/contractor's utilization of subcontractors/manufacturers to complete the contracted scope of work, installer/contractor shall include all subcontractors/manufacturers as insured's under installer/contractor's insurance or supply evidence of insurance to the State equal to policies, coverages, and limits required of installer/contractor.

10.2. Commercial General Liability

Installer/contractor shall maintain general liability on an occurrence form with limits not less than \$1,000,000 per and \$2,000,000 aggregate for bodily injury and property damage liability. The policy shall include coverage for liabilities arising out of premises, operations, independent

contractors, products, completed operations, personal and advertising injury, and liability assumed under an insured Project agreement. This insurance shall apply separately to each insured against which claim is made, or suit is brought subject to the installer/contractor's limit of liability. **The policy must name the State of California, its officers, agents, and employees as additional insured, but only with respect to work performed under the contract.**

10.3. Automobile Liability

Installer/contractor shall maintain motor vehicle liability with limits not less than \$1,000,000 combined single limit per accident. Such insurance shall cover liability arising out of a motor vehicle including owned, hired and non-owned motor vehicles. **The policy must name the State of California, its officers, agents, and employees as additional insured, but only with respect to work performed under the contract.**

In the event that the installer/contractor does not have any commercially owned motor vehicles, a no-owned autos waiver must be completed and retained in District files. A sample waiver form is included in Exhibit E of this Grant Agreement.

10.4. Workers' Compensation and Employers' Liability

Contractor must furnish to the State a certificate of insurance to remain in effect at all times during the term of this Agreement. Contractor shall maintain statutory workers' compensation and employers' liability for all its employees who will be engaged in the performance of the Agreement. Employers' liability limits of \$1,000,000 are required. The policy must include:

When work is performed on State owned or controlled property the Workers' Compensation policy shall contain a waiver of subrogation in favor of the State. The waiver of subrogation endorsement shall be provided.

In the event that the installer/contractor does not have any employees, a worker's compensation statement of exemption form must be completed and retained in District files. An example exemption form is included in Exhibit E of this Grant Agreement.

11. PROGRAM MONITORING

11.1. Any changes to the Scope of Work or timeline for the Project require the prior written approval of the CARB Program Liaison, and, depending on the scope and extent of the changes, may require a written Grant Agreement Amendment.

- 11.2. The Grantee must notify the CARB Program Liaison and Grant Coordinator immediately, in writing, if any circumstances arise (technical, economic, or otherwise), which might jeopardize completion of the Project, or if there is a change in key Project personnel.
- 11.3. The Grantee must coordinate with CAPCOA to provide information requested by the CARB Program Liaison that is needed to assess progress in completing tasks and meeting the objectives of the Project.
- 11.4. Any change in budget allocations, re-definition of deliverables, or extension of the Project schedule must be requested in writing to the CARB Program Liaison and approved by CARB, in its sole discretion. Such changes may require a written Grant Agreement Amendment.
- 11.5. CARB will review a sufficient number of Projects each year to ensure proper Program implementation. If Grantee is selected for Project review, CARB will contact Grantee Liaison at least thirty (30) days in advance. The Project review should include all books, papers, accounts, documents, photographs, and other records related to the Project for which Program funds were used. The Grantee will be expected to assign an employee familiar with the Project and accounting procedures to assist the CARB reviewer(s) and have the Project records, including cancelled warrants, readily available for inspection.

12. REPORTING

12.1. Data Flow

- a. The Grantee must coordinate with CAPCOA on the submittal of required Project and fiscal reports. If requested by CARB, Grantee will be responsible for submitting reports directly to CARB.

12.2. Project Reporting

- a. Project data are reported during each semi-annual reporting cycle. The reporting cycles cover December 1 through May 31 and June 1 through November 30. The reports are due to CARB on June 1 and December 1.
- b. Grantee shall submit an initial Project report called Awarded Report upon entering into a Project agreement with CARB. At this stage, Grantee must submit data with Project details and expected benefits. This report is submitted once during the first reporting cycle after signing the Agreement in a format agreed upon between the CARB Program Liaison and the Grantee.
- c. The Grantee shall submit Implementation Reports each reporting cycle. The Implementation Reports shall be provided in a format agreed upon between the CARB Program Liaison and the Grantee

and will contain information on each change-out completed during the reporting cycle.

- d. When the Project is complete, the Grantee shall submit a Project Closeout Report. The Project Closeout Report shall be provided in a format agreed upon between the CARB Program Liaison and the Grantee. This report shall be submitted upon completion of the Project at the next reporting cycle.

12.3. Fiscal Reporting

- a. Following receipt of funds, Grantee will submit quarterly fiscal accounting reports (Fiscal Report) to CAPCOA detailing expenditure of funds by Grantee, including interest accrued on any Project funds received. The Fiscal Reports shall be provided in a format agreed upon between the CARB Program Liaison and the Grantee and needs to include an itemized invoice of all expenditures incurred during the quarter.

13. OVERSIGHT AND ACCOUNTABILITY

The Grantee must comply with all oversight responsibilities identified herein.

- 13.1. CARB or its designee may recoup Project funds which were received based upon misinformation or fraud, or for which a Grantee or its subcontractor(s), or a participant in the Project is in significant or continual non-compliance with the terms of this Grant Agreement or state law.
- 13.2. CARB or its designee reserves the right to review the Project at any time during the duration of this Grant Agreement the Grantee's costs of performing the Grant and to refuse payment of any reimbursable costs or expenses that in the opinion of CARB or its designee are unsubstantiated or unverified. The Grantee shall cooperate with CARB or its designee including, but not limited to, promptly providing all information and documents requested, such as all financial records, documents, and other information pertaining to reimbursable costs, and any matching costs and expenses.
- 13.3. The Grantee shall retain all records referred to above and provide them for examination and Project review or State audit for three (3) years after the final Project funds liquidation date of June 30, 2025.
- 13.4. The Grantee shall develop and maintain accounting procedures to track reservation and expenditures by grant award, fiscal year, and of all funding sources.
- 13.5. CAPCOA will serve in an oversight role to centralize and standardize Program implementation. Grantee shall coordinate with CAPCOA on the submission of required reports.

14. CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

- 14.1. CARB has determined that the Project funded by this Grant Agreement is exempt from CEQA; Grantee should ensure that the Project is implemented consistent with the Grant Agreement to maintain CEQA exempt status.

15. GENERAL PROVISIONS

- 15.1. **Potential sub-grantee:** Nothing contained in this Grant Agreement or otherwise shall create any contractual relation between CARB and any sub-grantees, and no sub-grant shall relieve Grantee of its responsibilities and obligations under this Grant Agreement. Grantee agrees to be as fully responsible to CARB for the acts and omissions of its sub-grantees and of persons either directly or indirectly employed by any of them as it is for the acts and omissions of persons directly employed by Grantee. Grantee's obligation to pay its sub-grantees is an independent obligation from CARB's obligation to make payments to Grantee. As a result, CARB shall have no obligation to pay or to enforce the payment of any moneys to any sub-grantee. Grantee shall not sub-grant any services under this Grant Agreement without the prior approval in writing of CARB.
- 15.2. **Amendment:** No amendment or variation of the terms of this Grant Agreement shall be valid unless made in writing, signed by the parties, and approved as required. No oral understanding or agreement not incorporated in the Grant Agreement is binding on any of the parties.
- 15.3. **Assignment:** This grant is not assignable by the Grantee, either in whole or in part, without the consent of CARB, in writing.
- 15.4. **Compliance with law, regulations, etc.:** The Grantee agrees that it will, at all times, comply with and require its contractors and subcontractors to comply with all applicable federal, State, and local laws, rules, guidelines, regulations, and requirements.
- 15.5. **Conflict of interest:** The Grantee certifies that it is in compliance with applicable State and/or federal conflict of interest laws.
- 15.6. **Disputes:** The Grantee shall continue with the responsibilities under this Grant Agreement during any dispute. Grantee staff or management may work in good faith with CARB staff or management to resolve any disagreements or conflicts arising from implementation of this Grant Agreement. However, any disagreements that cannot be resolved at the management level within thirty (30) days of when the issue is first raised with CARB staff in writing shall be subject to resolution by the CARB Executive Officer, or designated representative. Nothing contained in

this paragraph is intended to limit any rights or remedies that the parties may have under law.

- 15.7. **Environmental justice:** In the performance of this Grant Agreement, the Grantee shall conduct its programs, policies, and activities that substantially affect human health or the environment in a manner that ensures the fair treatment of people of all races, cultures, and income levels, including minority populations and low-income populations of the State.
- 15.8. **Fiscal management systems and accounting standards:** The Grantee agrees that, at a minimum, its fiscal control and accounting procedures will be sufficient to permit tracing of grant funds to a level of expenditure adequate to establish that such funds have not been used in violation of State law or this Grant Agreement. Unless otherwise prohibited by State or local law, the Grantee further agrees that it will maintain separate Project accounts in accordance with generally accepted accounting principles.
- 15.9. **Force majeure:** Neither CARB nor the Grantee shall be liable for or deemed to be in default for any delay or failure in performance under this Grant Agreement or interruption of services resulting, directly or indirectly, from acts of God, enemy or hostile governmental action, civil commotion, strikes, lockouts, labor disputes, fire or other casualty, etc.
- 15.10. **Governing law and venue:** This grant is governed by and shall be interpreted in accordance with the laws of the State of California. CARB and the Grantee hereby agree that any action arising out of this Grant Agreement shall be filed and maintained in the Superior Court in and for the County of Sacramento, California, or in the United States District Court in and for the Eastern District of California. The Grantee hereby waives any existing sovereign immunity for the purposes of this Grant Agreement.
- 15.11. **Indemnification:** The Grantee agrees to indemnify, defend and hold harmless the State and the Board and its officers, employees, agents, representatives, and successors-in-interest against any and all liability, loss, and expense, including reasonable attorneys' fees, from any and all claims for injury or damages arising out of the performance by the Grantee or any sub-grantee, and out of the operation of equipment that is purchased with funds from this Grant Award.
- 15.12. **Grantee's responsibility for work:** The Grantee shall be responsible for work and for persons or entities engaged in work, including, but not limited to, contractors, subcontractors, suppliers, and providers of services. The Grantee shall be responsible for any and all disputes arising out of its contract, or sub-grantee's contract, for work on the Program or any project, including but not limited to payment disputes with contractors, subcontractors, and providers of services. The State

will not mediate disputes between the Grantee and any other entity concerning responsibility for performance of work.

- 15.13. **Independent contractor:** The Grantee, and its agents and employees, and sub-grantees, if any, in their performance of this Grant Agreement, shall act in an independent capacity and not as officers, employees or agents of CARB.
- 15.14. **Nondiscrimination:** During the performance of this Grant Agreement, the Grantee, sub-grantees, and their contractors shall not unlawfully discriminate, harass, or allow harassment against any employee or applicant for employment because of sex, race, color, ancestry, religious creed, national origin, physical disability (including HIV and AIDS), mental disability, medical condition (e.g., cancer), age (over 40), marital status, and denial of family care leave. The Grantee and its third party entities shall insure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment. The Grantee and its third party entities shall comply with the provisions of the Fair Employment and Housing Act (Gov. Code §12990 (a-f) et seq.) and the applicable regulations promulgated thereunder (California Code of Regulations, Title 2, Section 7285 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code Section 12990 (a-f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations, are incorporated into this Agreement by reference and made a part hereof as if set forth in full. The Grantee and its third party entities shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement.
- The Grantee shall include the nondiscrimination and compliance provisions of this clause in all subcontracts to perform work under this Grant Agreement
- 15.15. **No third party rights:** The parties to this Grant Agreement do not create rights in, or grant remedies to, any third party as a beneficiary of this Grant Agreement, or of any duty, covenant, obligation or undertaking establish herein.
- 15.16. **Prevailing wages and labor compliance:** If applicable, the Grantee agrees to be bound by all the provisions of State Labor Code Section 1771 regarding prevailing wages. If applicable, the Grantee shall monitor all agreements subject to reimbursement from this Grant Agreement to ensure that the prevailing wage provisions of State Labor Code Section 1771 are being met.
- 15.17. **Severability:** If a court of competent jurisdiction holds any provision of this Grant Agreement to be illegal, unenforceable or invalid in whole or in part for any reason, the validity and enforceability of the remaining provisions, or portions of those provisions, will not be affected.

- 15.18. **Termination:** CARB may terminate this Grant Agreement by written notice at any time prior to completion of Projects funded by this Grant Agreement, upon violation by the Grantee of any material provision after such violation has been called to the attention of the Grantee and after failure of the Grantee to bring itself into compliance with the provisions of this Grant Agreement, within ten (10) days.
- 15.19. **Timeliness:** Time is of the essence in this Grant Agreement. Grantee shall proceed with and complete the Project in an expeditious manner.
- 15.20. **Waiver of rights:** Any waiver of rights with respect to a default or other matter arising under the Grant Agreement at any time by either party shall not be considered a waiver of rights with respect to any other default or matter. Any rights and remedies of the State provided for in this Grant Agreement are in addition to any other rights and remedies provided by law.
- 15.21. **Availability of funds:** CARB's obligations under this Grant Agreement are contingent upon the availability of funds. In the event funds are not available, the State shall have no liability to pay any funds whatsoever to the Grantee or to furnish any other considerations under this Grant Agreement.
- 15.22. **Confidentiality:** No record that has been designated as confidential by CARB, or is the subject of a pending application of confidentiality, shall be disclosed by the Grantee. Any confidential information or data submitted to CARB by the Grantee may be shared with other divisions within CARB.
- 15.23. **Personally identifiable information:** Information or data that personally identifies an individual or individuals is confidential in accordance with California Civil Code sections 1798, et seq. and other relevant State or Federal statutes and regulations. The Grantee shall safeguard all such information or data which comes into their possession under this agreement in perpetuity, and shall not release or publish any such information or data.
- 15.24. **Ownership:** All information or data received or generated by the Grantee under this agreement shall become the property of CARB. No information or data received or generated under this agreement shall be released without CARB's approval. This does not prohibit Grantee from promoting the Program. Grantee shall follow the guidelines acknowledging CCI funding and logo use outlined in Section 1.3.
- 15.25. **Audit:** Grantee agrees that CARB, the Department of General Services, Department of Finance, the Bureau of State Audits, or their designated representative shall have the right to review and to copy any records and supporting documentation pertaining to the performance of this Grant and all State funds received. Grantee agrees to maintain such records

for possible audit for a minimum of three (3) years after the term of this Grant is completed, unless a longer period of records retention is stipulated. Grantee agrees to allow the auditor(s) access to such records during normal business hours and to allow interviews of any employees who might reasonably have information related to such records. Further, Grantee agrees to include similar right of the State to audit records and interview staff in any Grant related to performance of this Agreement.

16. DEFINITIONS

- 16.1. **AB 32:** Assembly Bill 32, Global Warming Solutions Act, Nuñez, Chapter 488, Statutes of 2006.
- 16.2. **Administrative Costs (Also Referred to as Indirect Project Implementation Costs):** A subset of project implementation costs, not tied directly or solely to the Project, such as distributed administration and general administrative services; non-project related contracts or subscriptions; rent and office space, phones and telephone services, printing, or mailing services not associated with staff working on the Project; or any other costs that are not directly and fully incurred to support the grant.
- 16.3. **Applicant:** Individual resident requesting replacement of older wood stove or device.
- 16.4. **Awarded Project Report:** The initial Project report with Project details and expected benefits submitted to CAPCOA during the first reporting cycle after signing this Agreement following the reporting requirements in Section 12 of this Grant Agreement.
- 16.5. **CAPCOA:** California Air Pollution Control Officers Association.
- 16.6. **CARB:** California Air Resources Board.
- 16.7. **CCI:** California Climate Investments
- 16.8. **Change-out:** Replacement of individual wood stove (or other device).
- 16.9. **Direct Project Implementation Costs:** Costs of direct labor and expenses associated with implementing the Project. Examples include: outreach and education, application review and processing, processing payments, and data reporting.
- 16.10. **District(s):** Local air pollution control districts or air quality management districts.
- 16.11. **Enhanced Incentive:** A higher incentive given to low-income households and households located on tribal lands or in disadvantaged or low-income communities. The maximum allowable Enhanced Incentive level is \$10,000 for an electric heat pump and \$5,000 for all other types of heating devices

- 16.12. **Funding Guidelines:** *California Climate Investments Funding Guidelines for Administering Agencies.*
- 16.13. **GGRF:** Greenhouse Gas Reduction Fund.
- 16.14. **Grantee:** Grant recipient.
- 16.15. **Implementation Costs:** Costs of implementing the Project including direct labor and expenses as well as any indirect expenses (also referred to as administrative expenses).
- 16.16. **Implementation Report:** An update on all incentives/upgrades that have been installed since the last reporting cycle for each change-out funded and overseen by Grantee. This report is submitted to CAPCOA following the reporting requirements in Section 12 of this Grant Agreement.
- 16.17. **Incentive:** The amount of funding given to an applicant to replace an uncertified wood stove, wood insert, or fireplace. The incentive amount will be determined by each District in coordination with CAPCOA but cannot exceed \$10,000 for an electric heat pump or \$5,000 for any other replacement device for Enhanced Incentive and \$5,000 for an electric heat pump or \$2,500 for any other replacement device for a Standard Incentive.
- 16.18. **Indirect Project Implementation Costs:** Also defined as Administrative Costs.
- 16.19. **Installer:** A licensed professional contracted to remove the uncertified wood stove or insert and install the replacement device, possessing an appropriate active license, consistent with Exhibit B, issued by the California Contractors State License Board throughout the life of the contract, and have a minimum of three (3) years of experience of installing home heating devices to manufacturer specifications.
- 16.20. **Program:** Woodsmoke Reduction Program
- 16.21. **Program Guidelines:** *CARB's February 15, 2023 Woodsmoke Reduction Program – Program Guidelines Fiscal Year 2021-22 Appropriation.*
- 16.22. **Project:** Program implementation at the District level.
- 16.23. **Project Agreement:** The agreement entered into between the Grantee and any sub-grantee to implement the Program at the District level.
- 16.24. **Project Closeout:** The final report submitted by the Grantee to the CARB Program Liaison at the next reporting cycle after all funds have been expended or after the legal agreement between CARB and Grantee has ended.
- 16.25. **Reporting Cycle:** Span of time used to report on Program progress. Program data are submitted semi-annually for the reporting cycles

covering December 1 through May 31 (due to CARB June 1) and June 1 through November 30 (due to CARB December 1).

- 16.26. **Standard Incentive:** A lower incentive given to households which do not qualify for Enhanced Incentive. The maximum allowable Standard Incentive level is \$5,000 for an electric heat pump and \$2,500 for all other types of heating devices.
- 16.27. **Subcontractor:** District or Installer.
- 16.28. **Sub-grantee:** District or Installer or other entity that has entered into an agreement with Grantee or District(s) to perform services related to this Grant Agreement.

EXHIBIT A, Attachment I
Grantee Scope of Work

1. Grantee will provide incentives in Grantee's jurisdiction towards the replacement of existing uncertified residential wood burning stoves, wood inserts, or fireplaces used for primary residential heating with the Program-eligible replacement devices listed in Section 4.2.
2. Grantee will ensure that incentives do not exceed the actual total change-out cost and are limited to a per property or household maximum of \$10,000 for an electric heat pump or \$5,000 for any other replacement device for Enhanced Incentive and \$5,000 for an electric heat pump or \$2,500 for any other replacement device for a Standard Incentive.
3. Grantee will promote the Program and help households understand the benefits of changing from an uncertified wood stove to a cleaner home heating device.
4. Grantee's goal should be to distribute seventy-five (75) percent of total funding to low-income households and households located in disadvantaged or low-income communities or on tribal lands.
5. Grantee will keep records of each change-out, including the following:
 - a. Application including address, priority population designation and/or income verification (if applicable), affidavit of primary source of heat, and proof of eligible existing stove.
 - b. Verification of installation including proof of installer eligibility, proof of final inspections/permits, and proof of eligible replacement stove.
 - c. Verification of destruction of old stove and, if applicable, rendering the fireplace inoperable.
 - d. Verification of training.
 - e. Verification of payment and invoices from installers.
6. Grantee will provide a subset of this information, consistent with templates provided by CARB, to the CAPCOA coordinator for collection and preparation of Progress Reports to be submitted to CARB.
7. Grantee will ensure that change-out recipient is trained on proper wood storage and wood burning practices (if applicable) and device operation and maintenance.
8. Grantee will coordinate with CAPCOA on the preparation of required reports consistent with Section 12.

EXHIBIT B

Required License

Professional installers may participate in the Program if they have a minimum of three (3) years of experience installing home heating devices to manufacturer specifications and possess an appropriate active license issued by the California Contractors State License Board throughout the life of the contract. Acceptable license(s) for each type of installation are listed below.

License Class	Equipment Allowed to Install	Special Conditions
C61/D34	<ul style="list-style-type: none"> • Wood stove/insert • Pellet stove/insert • Electric stove/insert heater 	<p>As long as there are no modifications/alterations to the structure.</p> <p>Furthermore, a C61/D34 contractor cannot perform any masonry facing work associated with the stove/insert installation.</p>
C20	<ul style="list-style-type: none"> • Wood stove/insert • Pellet stove/insert • Electric stove/insert heater • Heat pump 	
B	<ul style="list-style-type: none"> • Wood stove/insert • Pellet stove/insert, • Electric stove/insert heater • Heat pump 	<p>A "B" contractor is allowed to install listed heating equipment if the installation was part of a larger project that included at least two unrelated trades. Framing and carpentry does not count towards the count of unrelated trades. Without performing additional trades or holding additional license, a B-contractor would be required to subcontract with an individual holding a C61/D34 or C20 License.</p>

Exhibit C

Budget Summary

Category	Subcategory	Grant Amount
Project Funds		\$221,798.00
Project Implementation Funds*	Total	\$23,452.00
	Direct	\$11,726.00
	Indirect (Administrative Funds)	\$11,726.00
Total Grant Funds		\$245,250.00

* Project implementation costs must not exceed the Total amount shown in Exhibit C. All of the Project Implementation Funds may be used for direct costs but indirect costs are limited to the amount shown in the Exhibit C for Indirect (Administrative Funds).

Exhibit D

Project Schedule

Task	Milestone Description	Timeline
1	Execute Grant Agreement	No later than June 30, 2023
2	Transfer funds to Grantee	No later than June 30, 2023
3	Submit "Awarded" Reports to CARB	December 1, 2023
4	Begin project installations	Upon receiving funds
5	Submit "Implemented" Reports	Each reporting cycle
7	Submit quarterly fiscal accounting reports	Each calendar quarter
8	Complete project installations	June 30, 2025
9	Submit "Closeout" report upon completion of the project at the next reporting cycle	No later than December 1, 2025

Exhibit E

Insurance Waiver Forms and Examples

Automobile Liability

Contractor's name and address on company stationary

Current Date

Department Name

Re: No Owned Autos

To Whom It May Concern:

Please know and mark your records to show that (contractor's name) does not own any automobiles.

Should (contractor's name) purchase an auto(s) during the term of its contract with (Department Name) it will obtain owned auto coverage and provide evidence to (Department Name).

Sincerely,

Name/Title of Owner, Member, Partner or Corporate Owner of the Contractor

Exhibit E: Insurance Waiver Forms and Examples (continued)

Workers' Compensation and Employers' Liability

Workers' Compensation Statement of Exemption

Contractor must submit this form to State of California, certifying under penalty of perjury that he or she does not employ anyone in a manner that is subject to the Workers' Compensation laws of California (see Business and Professions Code Section 7125).

DO NOT SUBMIT THIS FORM IF YOU HAVE EMPLOYEES

For exemption from workers' compensation, you must complete the requested information and sign form.

Please type or print neatly and legibly in black or dark blue ink.

SECTION 1 – REQUIRED INFORMATION

CONTRACTOR'S NAME	CONTRACT NUMBER	STATE DEPARTMENT
MAILING ADDRESS <small>number/street or P.O. box</small>	<small>city</small>	<small>state</small> <small>ZIP code</small>
STREET ADDRESS <small>number/street only – NO P.O. boxes</small>	<small>city</small>	<small>state</small> <small>ZIP code</small>
PHONE NUMBER	CELL PHONE NUMBER	EMAIL ADDRESS

SECTION 2 – REQUIRED CHECK BOX

YOU MUST CHECK ONLY ONE OF THE BOXES BELOW.

- I do not employ anyone in the manner subject to the workers' compensation laws of California.
- I am an out-of-state contractor, and I do not hire employees who reside in California. (You must provide a certificate of insurance from your workers' compensation insurance carrier).

SECTION 3 – REQUIRED SIGNATURE

I certify under penalty of perjury under the laws of the State of California that the information provided on this exemption statement is true and accurate. I understand that, upon employing anyone in a manner that is subject to the workers' compensation law of the State of California, the claim of exemption executed under this form will no longer be valid. I also understand that, as soon as I employ anyone subject to California's workers' compensation law, I must obtain a Certificate of Workers' Compensation Insurance, submit that certificate to State of California within 90 days of its effective date, and continuously maintain the coverage provided by the certificate in accordance with the law and as required by this contract. I further understand that failure to comply with this requirement is grounds for disciplinary action.

Date	Signature of Contractor (Owner, Partner, or Officer)	Printed Name of Contractor (Owner, Partner, or Officer)

Exhibit F

**Woodsmoke Reduction Program
Program Guidelines Fiscal Year 2021-2022**

Woodsmoke Reduction Program - Program Guidelines Fiscal Year 2021-2022
Appropriation
February 15, 2023

Woodsmoke Reduction Program

Program Guidelines

FISCAL YEAR 2021-2022 APPROPRIATION

February 15, 2023



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Executive Summary

The Woodsmoke Reduction Program is part of California Climate Investments (CCI), a statewide program that puts billions of cap-and-trade dollars to work reducing greenhouse gas emissions, strengthening the economy and improving public health and the environment—particularly in disadvantaged communities. The cap-and-trade program also creates a financial incentive for industries to invest in clean technologies and develop innovative ways to reduce pollution. CCI projects include affordable housing, renewable energy, public transportation, zero-emission vehicles, environmental restoration, more sustainable agriculture, recycling and much more. Statute establishes investment minimums for disadvantaged and low-income communities and low-income households. For more information, visit [California Climate Investments](https://ww2.arb.ca.gov/our-work/programs/california-climate-investments).¹

Senate Bill 563² established the Woodsmoke Reduction Program (Program) to be administered by the California Air Resources Board (CARB) to promote the voluntary replacement of old wood-burning stoves with cleaner and more efficient home heating alternatives. The legislation also authorizes money from the Greenhouse Gas Reduction Fund (GGRF) to be appropriated for incentives offered as part of the Program. State Budgets appropriate \$5,000,000 in fiscal year (FY) 2016-2017,³ \$3,000,000 in FY 2018-2019,⁴ and \$5,000,000 in FY 2021-2022⁵ to CARB to incentivize replacement of old, uncertified wood-burning devices with cleaner options. The Program, administered by CARB, is implemented by the California Air Pollution Control Officers Association (CAPCOA) in coordination with local air pollution control districts or air quality management districts (Districts). CAPCOA determines how much funding will be available to each District participating in the Program. The Program implemented in each participating District is considered a Project while an individual woodstove replacement is called a change-out. CARB developed Program Guidelines (Guidelines) to help CAPCOA and Districts set up Projects that meet the State's statutory requirements and policy objectives for appropriations from GGRF. The first Guidelines, addressing the 2016-2017 appropriation, were published on September 9, 2017,⁶ the second update, addressing the 2018-2019 appropriation,⁷ on May 21, 2019, and the current Guidelines address the 2021-2022 appropriation. The Program is designed to help households replace an uncertified wood stove or wood insert, or a fireplace used as a

¹ <https://ww2.arb.ca.gov/our-work/programs/california-climate-investments>

² Lara, Chapter 671, Statutes of 2017, adding Health and Safety Code sec. 39733.

³ Assembly Bill (AB) 1613, Committee on Budget, Chapter 370, Budget Act of 2016, Item 3900-101-3228, Section 10, Provision 4.

⁴ Senate Bill (SB) 856, Committee on Budget, Chapter 30, Budget Act of 2018, Item 3900-101-3228, Section 36, Provision 2.

⁵ Senate Bill (SB) 170, Committee on Budget, Chapter 240, Budget Act of 2021, Item 3900-101-3228, Section 87, Provision 2.

⁶ <https://ww2.arb.ca.gov/our-work/programs/residential-woodsmoke-reduction/woodsmoke-reduction-program>

⁷ Ibid.

primary source of heat, with a cleaner-burning and more efficient device. The replacement devices emit less greenhouse gases (GHG) and other air pollutants; they also are less likely to start fires than old stoves that may have been improperly installed. The Program will offer incentives towards the purchase and installation of the qualifying device. California residents using uncertified wood stoves or wood inserts manufactured before July 1, 1988 or using fireplaces as a primary heat source in Districts awarded Program funds are eligible for this Program. The incentive amount will vary depending on the location of the residence and the household income, with some households qualifying for full replacement cost. The Program will include an outreach and educational component to ensure that households make informed decisions about how to burn and what to burn to maximize the efficiency of the device and minimize pollution. This Program will further the goals of California Health and Safety Code Division 25.5,⁸ reduce GHG emissions, improve air quality, and protect the health, safety, and well-being of California residents.

These Program Guidelines apply to FY 2021-2022 GGRF appropriations and will be updated in future years as appropriate. The replacement of existing wood-burning devices with cleaner technologies provides an important opportunity to promote lower-carbon clean heating powered by renewable energy by offering incentives only for electric heating and the cleanest wood-burning devices. Therefore, contingent on reauthorization and funds, future guidelines will continue to maximize GHG reductions while still addressing the need to provide applicants within disadvantaged or low-income communities and low-income households, as well as households on tribal lands low-income communities or households funding for lower-carbon clean heating options. Future guidelines may also consider administrative streamlining based on the experience gained through implementation.

Program Goals and Objectives

The Program furthers the goals of Health and Safety Code Division 25.5 and reduces GHG emissions by offering incentives toward the replacement of existing uncertified residential wood burning devices used for space heating with cleaner options. For the purpose of this Program, a stove refers to a permanently installed free-standing wood stove, pellet stove, or electric heater stove or one installed in a masonry fireplace cavity or other enclosure (commonly referred to as an insert). The current iteration of the Program is funded through the appropriation of \$5,000,000 in FY 2021-2022 from the Greenhouse Gas Reduction Fund.⁹ The Program, administered by CARB, will be implemented by CAPCOA in coordination with Districts. CAPCOA will determine how much funding will be available to each District

⁸ Appropriations from the GGRF must further the purposes of Health and Safety Code Division 25.5, added and amended by AB 32 (Global Warming Solutions Act of 2006, Pavley and Nuñez, Chapter 488, Statutes of 2006), SB 32 (Pavley, Chapter 249, Statutes of 2016), AB 197 (E. Garcia, Chapter 250, Statutes of 2016), and AB 398 (E. Garcia, Chapter 135, Statutes of 2017), and other legislation.

⁹ Item 3900-102-3228 of the Budget Act of 2021, as amended by SB170 (Chapter 240, Statutes of 2021).

participating in the Program. To be eligible for the Program, a homeowner or renter, for the purpose of this document referred to as an Applicant, must currently use an uncertified wood stove or wood insert manufactured before July 1, 1988, or fireplace as a primary heat source in Districts awarded Program funds. The incentive amount will depend on where the property is located and Applicant's household income, with some households qualifying for full replacement cost. The Program will maximize benefits to households in disadvantaged or low-income communities and low-income households, as well as households on tribal lands, and has as a goal to distribute 75 percent of the total funding to these priority populations.¹⁰ Applicants residing in a census tract identified as a disadvantaged¹¹ or low-income¹² community can qualify for higher incentives. Applicants residing outside of a census tract identified as a disadvantaged or low-income community, who can demonstrate low-income eligibility based on household income, can also qualify for higher incentives.¹³ Applicants residing on tribal lands can also qualify for higher incentives. All other Applicants are eligible for lower incentives. Benefits to disadvantaged and low-income communities and low-income households will be evaluated using criteria listed on the CCI Quantification, Benefits, and Reporting Materials website.¹⁴ Projects are expected to meaningfully address an important community need by reducing exposure to local environmental contaminants, such as toxic air contaminants and criteria air pollutants.

The existing uncertified wood stove, wood insert, or fireplace must be replaced with an electric heat pump, electric stove heater, certified pellet stove, or wood stove approved for this Program, as described in the "Replacement Device" section below. Only select wood stoves are eligible for incentives as part of this Program, which is necessary to ensure that the replacement devices reduce emissions as anticipated.

¹⁰ Priority populations include residents of: (1) census tracts identified as disadvantaged by California Environmental Protection Agency per SB 535; (2) census tracts identified as low-income per AB 1550; or (3) a low-income household per AB 1550. Current definitions and designations are available at: www.arb.ca.gov/cc-communityinvestments.1550.

¹¹ Disadvantaged community census tracts are identified by CalEPA per [SB 535](#) (De León, Chapter 830, Statutes of 2012), and available at <http://www.calepa.ca.gov/EnvJustice/GHGInvest/>

¹² Low-income communities are defined as census tracts with a median household income at or below 80 percent of the statewide median household income or with a median household income at or below the threshold designated as low-income by Department of Housing and Community Development's State Income Limits adopted pursuant to the Health and Safety Code Section 50093 ([AB 1550](#) (Gomez, Chapter 369, Statutes of 2016)). Maps of low-income communities are available at <https://www.arb.ca.gov/cc-communityinvestments>.

¹³ Low-income households are those with household incomes at or below 80 percent of the statewide median household income or with household incomes at or below the threshold designated as low-income by the Department of Housing and Community Development's list of state income limits adopted pursuant to Section 50093. ([AB 1550](#), Gomez, Chapter 369, Statutes of 2016.) Districts will be responsible for verifying household income eligibility.

¹⁴ Available at: <https://ww2.arb.ca.gov/resources/documents/cci-quantification-benefits-and-reporting-materials>

The Program will achieve GHG emission reductions from the increased efficiency and reduced emissions of the newly installed devices. Older, uncertified wood stoves are often inefficient, high-polluting, and may pose a fire risk. The replacement options selected for this Program should reduce greenhouse gas and particulate matter emissions. Co-benefits include significant and long-term reductions in emissions of criteria pollutants and toxic air contaminants, along with reduced fire risk and reliance on fossil fuels thereby accelerating transition to lower carbon home heating.

The replacement device must be installed by a professional, appropriately licensed stove installer (Installer) and meet local fire and building codes. A professionally installed device will improve the health, safety, and comfort of all residents. To ensure reductions in emissions are permanent, any wood stove removed through this Program must be rendered permanently inoperable and recycled, if recycling is available in the area. If the replacement device is a ductless mini-split heat pump, household may be allowed to retain the old wood burning device to serve as emergency heat in case of a power outage. The approval to retain the old device will be granted on a case-by-case basis by the District. Households would be required to sign an agreement to use their old device only in case of a power outage.

The Program will include outreach and educational components to both inform residents about the benefits of switching to cleaner burning home heating devices and train them on the proper operation and maintenance to maximize the device efficiency and minimize pollutant emissions.

The Program implemented in each participating District will be considered a Project. The Project will comprise all of the change-outs, for which Program funds are being used, within the District's jurisdiction along with the administrative work required to implement them.

Stove Eligibility and Performance Standards

I. Existing Home Heating Devices

To be eligible for the Program, an Applicant must be currently relying on an operational uncertified wood stove or insert, or fireplace, as a primary source of heat in the residence.

An uncertified wood stove or insert is one that has not been certified by the U.S. EPA to comply with the performance and emission standards as defined in Title 40 Code of Federal Regulations, Part 60, Subpart AAA, February 28, 1988, or any subsequent revisions. To determine if the existing stove is uncertified, Applicant may do the following:

- Determine when the wood stove was installed. Wood stoves installed before July 1, 1988 do not comply with the particulate emission standards and therefore qualify for this Program.

- Check the stove model against the U.S. EPA current and historical list of certified¹⁵ wood heaters. If the stove’s manufacturer and model is not on the current and historical lists, the stove is considered uncertified.
- Check the back of the wood stove for a certification label. Wood stoves which do not have any label describing particulate matter emission standards qualify for this Program. Wood stoves certified by the U.S. EPA to comply with any of the particulate emission standards are not eligible for replacement through this Program. These stoves will have a label, like that pictured in Figure 1, permanently affixed to them stating that the stove is certified to comply with the 1988, 1990, 2015, or 2020 U.S. EPA standards.

Applicants will determine the eligibility of their current wood stove. Applications will be reviewed by the District to determine if preliminary qualification requirements have been met. The wood stove’s eligibility will be verified by the District or an Installer during an in-home estimate.

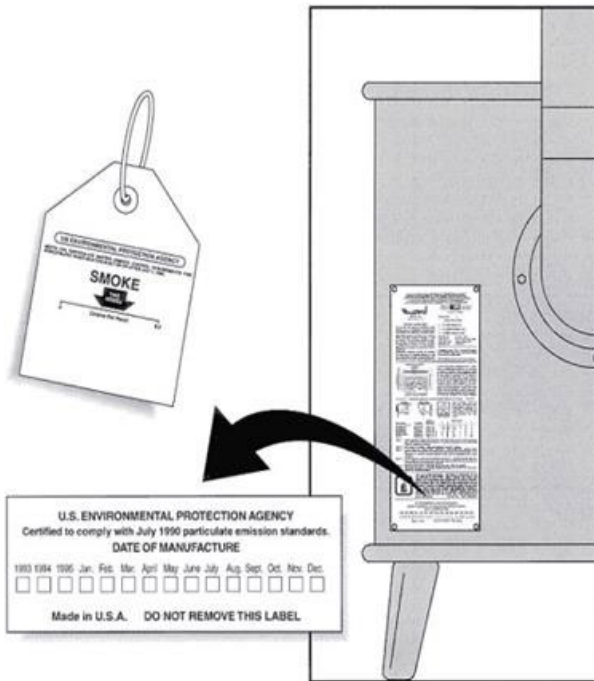
An Applicant using a fireplace as a primary source of heat could also qualify for this Program. Section III, Eligible Home Heating Replacements, includes more information on how to qualify for this type of change-out.

Only operational devices, currently installed in a residence, and used as a primary source of heat qualify for this Program. Applicants who remove the device prior to an in-home estimate will be disqualified.

¹⁵ U.S. EPA Certified Wood Stove Database: <https://www.epa.gov/compliance/epa-certified-wood-heater-database>

Figure 1. U.S. EPA Stove Certification Label

EPA certification label circa 1988 to present



II. Replacement Device

The uncertified wood stove or insert, or fireplace, must be replaced by an eligible replacement device. The following types of home heating devices are eligible for this Program:

- Electric stove heaters,
- Electric heat pumps,
- Pellet stoves,
- Hybrid wood stoves,
- Catalytic wood stoves, and
- Select non-catalytic wood stoves.

In a 2021 report, Assessment of U.S. EPA’s Residential Certification Program Northeast States of Coordinated Air Use Management¹⁶ (NESCAUM) revealed significant problems with the current wood stove certification program. As a result of significant flexibility in testing combined with limited oversight, many wood stoves certified by U.S. EPA as meeting the

¹⁶ <https://www.nescaum.org/documents/nescaum-review-of-epa-rwh-nsp-certification-program-rev-3-30-21.pdf/>

current New Source Performance Standard (NSPS) may have higher emissions than old uncertified stoves they are replacing. Most wood stoves on the market use either a secondary combustion system (non-catalytic stoves) or a catalytic combustor (catalytic stoves) to meet the U.S. EPA emission standards. Hybrid wood stoves combine a catalytic combustor with the secondary combustion system in one.

To ensure that the replacement devices reduce emissions as anticipated only certain wood stoves are eligible to receive incentives as part of this Program. Any pellet, catalytic or hybrid (catalytic/non-catalytic) wood stove meeting the current NSPS is an eligible replacement device. Catalytic and hybrid stoves had demonstrated lower emissions when tested with the Integrated Duty Cycle (IDC) test method approved by the U.S. EPA as a broadly applicable Alternative Test Method (ATM). The IDC test assesses appliance performance under a range of operating and fueling conditions to better represent in-home use. Catalytic and hybrid wood stoves meeting current NSPS certification may be identified by performing an advanced search and selecting the appropriate subtype (catalytic stove or hybrid) from the U.S. EPA Certified Wood Stove Database.¹⁷ Non-catalytic stoves do not perform as well in IDC testing, but to provide households with some non-catalytic options, four stoves approved by the State of Alaska for installation in the Fairbanks PM2.5 Nonattainment Area, listed in Table 1, will be eligible for incentives. CARB will work with an independent contractor to test additional devices and update the list of eligible non-catalytic stoves on the Program website as appropriate. Additional devices may also be listed based on U.S. EPA retesting.¹⁸

Table 1. Non-Catalytic Wood Stoves Eligible for Incentives

Manufacturer Name	Model Name	Annual Avg Emission Rate (grams/hr)
Energy Distribution	Invicta Group: Kazan, Kazan GA, Kiara, and Kiara GA	1.8
Energy Distribution	Gaya Ardoise, Itaya, Onyx, Gaya Feuille, Symphonia, Antaya, Theïa, Akan	1.9
HHT/Hearth and Home Tech	21M-ACC-C, Discovery-1-C	1.7
Hearth and Home Technologies	Quadra Fire Expedition II and Vermont Castings Montpelier II	1.8

¹⁷U.S. EPA Certified Wood Stove Database: <https://www.epa.gov/compliance/epa-certified-wood-heater-database>

¹⁸ See <https://www.epa.gov/burnwise/epa-approved-test-labs-and-third-party-certifiers-residential-wood-heaters>.

The replacement device must be permanently installed by a professional, appropriately licensed Installer participating in this Program. A list of participating Installers will be established by CAPCOA or each participating District. Self-installation of heating devices will not be allowed under this Program. Portable home heating devices not permanently affixed to the home structure are not eligible replacement options. Any building permits or other required approvals shall be obtained per local, tribal, or State ordinances and shall be the responsibility of the Installer or the Applicant. Districts will be responsible for verifying that each change-out is permitted and inspected in accordance with State, local, and/or tribal ordinances before payment is issued to the Installer or the Applicant.

Eligible Applicants

Applicants interested in replacing their uncertified wood stove or wood insert, or fireplace with an eligible replacement device qualify for this Program if they meet all of the requirements listed below:

- Use an uncertified wood stove or wood insert, or a fireplace, currently operational, as a primary source of heat;
- Select a replacement device which meets stove eligibility in Section II;
- Plan to have the replacement device professionally installed by a participating Installer;
- Agree to receive training on proper wood storage and wood burning practices (if applicable) and device operation and maintenance; and
- Surrender their old wood stove or insert to the Installer who will render it permanently inoperable and recycle it, if recycling is available in the area. If the replacement device is an electric heat pump, District may allow retaining the original heating device to be used only during power outages.

This Program provides incentives for one replacement per household. Households that previously received Program incentives are not eligible. The replacement device must be a primary source of heat in the house. The Program is available for residences occupied by owners or long-term renters. In the case of rental properties, formal approval from both the property owner and the renter will be required as part of the approval process. To qualify for an incentive, the owner will have to agree to not raise the rent of the unit for a period of two years or evict the unit's residents because of increased value of the unit due solely to the newly installed home heating device. Retroactive rebates are not available under this program, so Applicants who remove the old device or purchase a new replacement device prior to being approved for this Program will be disqualified. The old, uncertified device must be rendered permanently inoperable and recycled, if recycling is available in the area, before payment can be issued to the Installer.

Burning wood in a fireplace is very inefficient for home heating purposes; fireplaces are therefore not typically used as a primary source of heat. In rare situations when an Applicant uses a fireplace as a primary source of heat, the Applicant may qualify for the Program. If the existing fireplace is structurally sound, the Program may offer an incentive to be used towards purchase and installation of an eligible fireplace insert. However, if the fireplace is lacking structural integrity, the incentive could be used towards the purchase of an eligible free-standing home heating device or a heat pump. In this case, the fireplace and chimney must be rendered permanently inoperable to prevent use of the fireplace. Verification of inoperability would be the responsibility of the District. If the replacement device is an electric heat pump, District may allow retaining the original heating device to be used only during power outages.

Installers interested in participating in this Program must agree to the Program's terms and conditions by signing an agreement with the District. Each District will establish their own requirements, but at a minimum, in order to participate in the Program, the Installer will be required to agree to the following:

- Abide by the terms and conditions of the Program;
- Unless verified by the District, verify that the old device and the replacement device qualify for the Program;
- Conduct professional installation of the qualified device in compliance with all applicable State, county, city, or tribal codes/ordinances;
- Provide residents with training on device operation and maintenance and, if applicable, for wood burning devices, best practices in wood storage and wood burning; and
- Render the old device inoperable and recycle it, if recycling is available in the area.

Only Installers who have a signed agreement with CAPCOA or the District will be eligible to participate in the Program. Installers will be responsible for ensuring that all installations are done in accordance with any applicable State, county, or city codes/ordinances, including obtaining any applicable permits and having the installation inspected. Agreements must include the components required by this document and should include key milestone dates and participant requirements for maintaining eligibility prior to Project completion.

Eligible Cost

Eligible change-outs costs include the cost of the new device including sales tax, installation including any parts, materials, permits, or labor required for the safe and legal installation of the new device removal and disposal of the old wood stove or insert, and, if applicable, rendering fireplace inoperable. The Installer will be required to provide a base estimate for the installation of a basic heating device that will be safe, clean-burning, and efficient. Upgrades above the base estimate will be paid by the Applicant. The incentive structure will be determined by CAPCOA or each individual District but incentives can't exceed the actual

total change-out cost and are limited to a maximum of \$5,000 or \$2,500 per property or household for pellet and hybrid stoves or electric heating devices for Enhanced and Standard Incentives, respectively. A maximum of \$10,000 or \$5,000 per property or household will be allowed for electric heat pump installations for Enhanced and Standard Incentives, respectively. Districts will pay the Installer (voucher model) or Applicant (rebate model) the approved incentive amount. Any additional balance due will be paid by the Applicant.

Applicants who remove the high-polluting device or purchase a new device prior to being approved for this Program will be disqualified from obtaining compensatory funds. Heating devices or inserts designed exclusively for aesthetic and decorative use are not eligible for this Program.

All eligible costs must be supported by appropriate documentation. Any cost that is not directly related to the change-out, including cost of remodeling work beyond what is required to complete the change-out, is not eligible for an incentive. Total costs may not exceed the maximums noted above. Costs incurred outside of the performance period, indirect/overhead costs, and cost of food or beverages (e.g., served during outreach events) are not eligible for reimbursement. Indirect/overhead costs are expenses of doing business that are of a general nature and are incurred to benefit two or more functions within an organization. Examples of indirect costs include salaries and benefits of employees not directly assigned to work on the Program, functions such as personnel, business services, information technology, and salaries of supervisors. Examples of overhead costs include rent, utilities, and supplies.

The total cost of administering the Program (i.e., the total administrative costs incurred by both CAPCOA and Districts) cannot exceed \$500,000, which is 10 percent of the total 2021-2022 appropriation.

Eligibility

Households using uncertified wood stoves, wood inserts, or fireplaces as a primary heat source are eligible for an incentive towards replacing their old heating device with a cleaner option. The incentive amount will be determined by each District in coordination with CAPCOA, but may not exceed a maximum of \$5,000 for wood stove, pellet stove, or electric stove heater or \$10,000 for electric heat pump. The general structure of incentives must adhere to the following rules:

- Low-income households and households located in disadvantaged or low-income communities or on tribal lands will be eligible to replace their heating device for little or no cost. They will qualify for a higher incentive (Enhanced Incentive). The maximum allowable Enhanced Incentive level is \$10,000 for an electric heat pump and \$5,000 for all other types of heating devices;
- All other households, regardless of their income, will qualify for a smaller incentive (Standard Incentive) to be applied towards the purchase and installation of the new

device. CAPCOA, in coordination with the District, will determine the maximum allowable Standard Incentive level, not to exceed \$5,000 for an electric heat pump and \$2,500 for all other types of heating devices; and

- CAPCOA, in coordination with the District, will implement the Program with the goal of directing 75 percent of the funds for Enhanced Incentives to help low-income households and households in disadvantaged and low-income communities, with an emphasis on outreach to households located on tribal lands within the District, replace their old wood stoves for little or no cost. This goal could be accomplished in a variety of ways and Districts are encouraged to explore different options to assist in meeting this Program-wide goal. Examples of two possible scenarios could include:
 - Conducting a District-wide solicitation during which all applications would be collected and reviewed, and priority would be given to those Applicants qualifying for Enhanced Incentives.
 - Implementing the Project in two phases. During the first phase, only applications from low-income households and households in disadvantaged and low-income communities or on tribal lands would be accepted. During the second phase, the Project would be open to all Applicants.

Every Applicant using an uncertified wood stove or fireplace as a primary source of heat for their home qualifies for a Standard Incentive without any need for income verification. To qualify for the higher Enhanced Incentive, the Applicant must reside on tribal land or in a disadvantaged or a low-income community or demonstrate a household income not exceeding a low-income threshold specified below. Income verification will not be required for Applicants residing on tribal lands or in disadvantaged or low-income communities.

Applicants residing outside of disadvantaged and low-income communities and tribal lands wishing to be considered for Enhanced Incentives are required to demonstrate that their household income does not exceed one of the following thresholds:

- 1) 80 percent of the Statewide Median Household Income (MHI);¹⁹ or
- 2) County-specific California Department of Housing and Community Development (HCD) low-income limits.²⁰

Districts will be responsible for verifying household income eligibility. Districts can qualify an Applicant based on the higher allowable maximum income (80 percent MHI or HCD low-income limits).

For purposes of the Program, there are multiple methods to demonstrate household income eligibility. Applicants may demonstrate eligibility by presenting pay stubs or tax returns for

¹⁹ U.S. Census Bureau, American Community Survey, 5-year Estimates available at:
<https://www.census.gov/quickfacts/fact/table/CA,US/PST045221>

²⁰ California Department of Housing and Community Development Official State Income Limits available at:
<http://www.hcd.ca.gov/state-and-federal-income>

each person living in the residence to District personnel for verification and, if qualifying using the HCD low-income limits, reporting the number of people in the household.

Eligibility may also be established through proof of participation in an existing federal or State low-income assistance program, several examples of which are listed below. In cases where an Applicant chooses to demonstrate eligibility through participation in an alternate low-income program, Districts will work with CARB staff to verify that the alternate program's income limits do not exceed Enhanced Incentive income limits for their area.

- U.S. Department of Agriculture Women, Infants and Children (WIC) Program;
- U.S. Department of Health and Human Services Low Income Energy Assistance Program (LIHEAP);
- California Alternate Rates for Energy (CARE) Program with a participating California utility company.

Approval Process

Applicants will be required to complete an application. They must agree to provide information to the District and allow the District and/or Installer to verify that information. They must also agree to receive training on proper wood storage and wood burning practices (if applicable) and device operation and maintenance. The District will be responsible for verifying the following:

- Eligibility of the existing device - ensuring that the existing wood stove, wood insert, or fireplace²¹ is uncertified, operational, and used as a primary heat source in the house;
- Eligibility of the replacement stove – ensuring that the replacement device is eligible for the Program as described in Section II; and
- If applying for the Enhanced Incentive, eligibility as a resident of a disadvantaged or low-income community, tribal lands, or a low-income household.

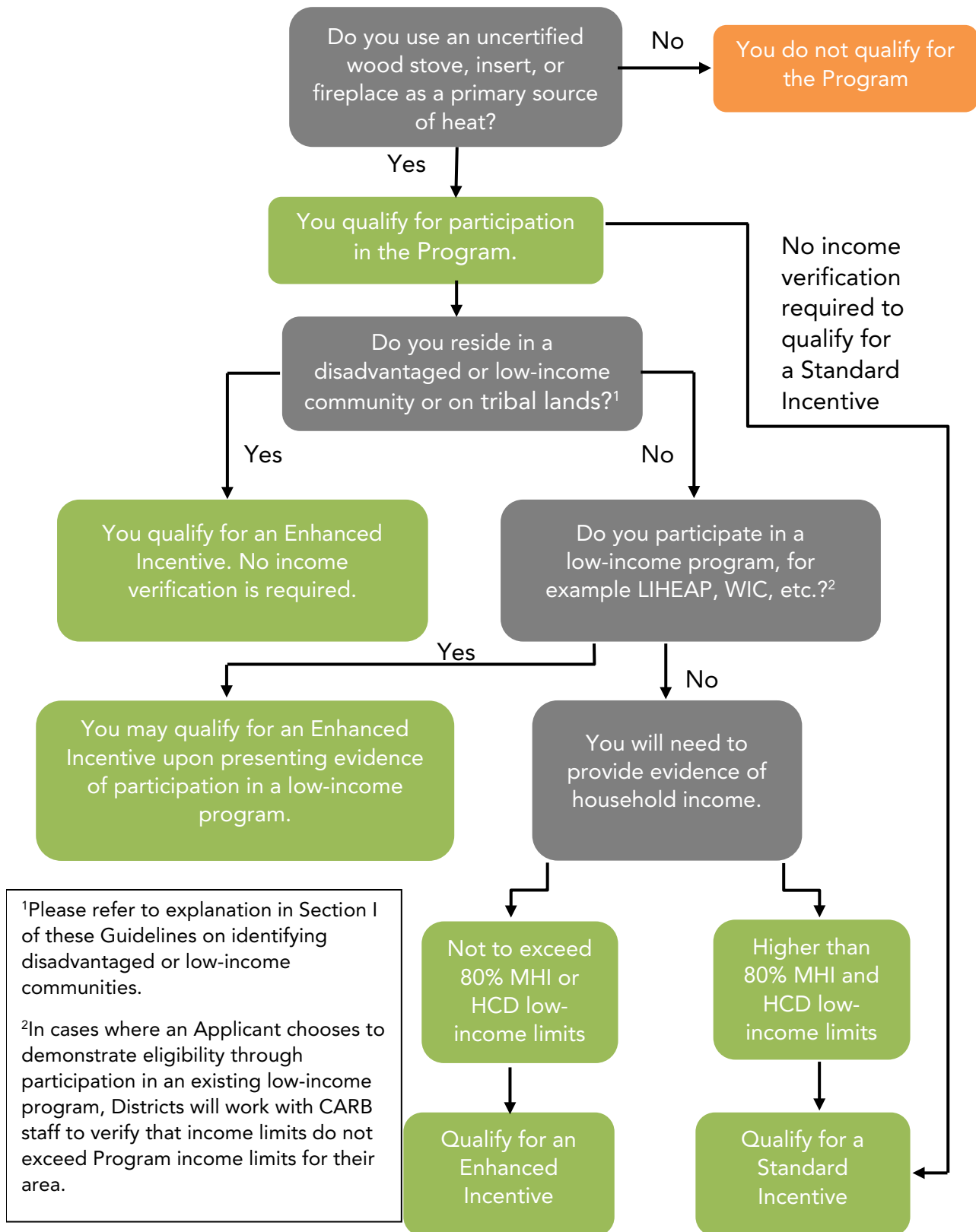
The application will be reviewed to determine if the preliminary qualification requirements have been met. Figure 2 illustrates the approval process and helps determine Program eligibility. The District will notify the Applicant whether the application was approved for participation in the Program. Districts must inform Applicants that applications will be treated in accordance with Public Records Act requirements and that certain information, subject to those requirements, may be publicly disclosed.

Once approved, the Applicant will schedule an in-home estimate with a participating Installer. The Installer will verify the stove's eligibility and present an estimate to the Applicant. The District will have the flexibility to run the Program as a voucher or a rebate

²¹ All fireplaces are considered uncertified heating devices.

model. If a Program follows a voucher model, qualified Applicants are issued vouchers that provide an instant discount of the cost of purchase, installation, and disposal of a qualifying device. If a Program follows a rebate model, qualified Applicants are issued rebates after they submit the required documents showing that they have purchased a qualifying device, had it installed by a participating Installer, and properly disposed of their old appliance. Districts must verify that the old device was deemed permanently inoperable and recycled, if recycling is available in the area, before issuing payment for the change-out. Districts choosing to follow a rebate model must ensure that low-income households and households in disadvantaged and low-income communities and on tribal lands are able to participate. This may require offering vouchers in lieu of rebates or administering the Project with a combination of rebates and vouchers.

Figure 2. Approval Process



GHG Reductions

Switching from an uncertified wood stove or a fireplace to a U.S. EPA certified pellet stove or eligible wood stove reduces GHG emissions as these stoves are cleaner burning and more energy efficient. Design features in newer pellet stoves and wood stoves promote more complete combustion, reducing emissions of methane, a GHG pollutant.²² They also typically use significantly less fuel to produce the same amount of heat as an uncertified stove.²³ This reduction in fuel use will further reduce GHG emissions by a similar amount. Switching from an uncertified wood stove to an electric stove heater or electric heat pump will also typically reduce GHG emissions. In the absence of a mechanism to verify that the wood burned in an Applicant's primary heating device is waste material harvested pursuant to an approved timber management plan prepared in accordance with the Z'berg-Nejedly Forest Practice Act of 1973 or other locally or nationally approved plan and harvested for the purpose of forest fire fuel reduction or forest stand improvement, biogenic CO₂ is included in the calculation of GHG benefits for these devices.

Outreach and Education

CAPCOA and the Districts will be responsible for promoting the Program and helping households understand the benefits of changing from an uncertified wood stove to a cleaner home heating device. Since the Program-wide goal is to distribute 75 percent of total funding to residents of disadvantaged and low-income communities and low-income households and tribal lands, the outreach should focus on reaching this segment of the population.

CAPCOA and the Districts will also incentivize outreach and promotion of the Program with local tribal authorities and prioritize implementation on tribal lands.

The Program requires an educational component to ensure that the new home heating devices, particularly pellet stoves and wood stoves, are properly operated and maintained to maximize energy efficiency and achieve the lowest possible emission rates. With proper burning techniques and properly seasoned wood, if using a wood stove, the amount of wood used and emissions generated could be significantly reduced. User operation is important for achieving anticipated reductions. CAPCOA and the Districts will be required to ensure that each change-out is supplemented with a training component. This could be accomplished by

²² Residential wood stove emissions are in AP 42, Fifth Edition, Volume I, Chapter 1, External Combustion Sources, Section 1.10, web link: <https://www3.epa.gov/ttn/chief/ap42/ch01/final/c01s10.pdf>

²³ U.S. EPA Burn Wise Publication, How to Implement a Wood-Burning Appliance Changeout Program, September 15, 2014; web link: <https://www.epa.gov/sites/production/files/2015-08/documents/howtoimplementawoodstovechangeout.pdf>

having Installers train homeowners following the installation. Districts will be required to obtain verification of training.

Co-benefits

In many communities throughout the State, uncertified wood stoves are a major source of air pollution. Replacing these highly polluting and inefficient stoves with cleaner home heating options can significantly reduce emissions of fine particulate (PM_{2.5}), black carbon, and toxic air contaminants. These emission reductions will vary depending on the type of the replacement device, with the electric devices offering the greatest reductions. Certified pellet stoves and wood stoves or inserts should have significantly lower emissions compared to uncertified wood stoves based on their certification values. However, because the current U.S. EPA certification program fails to ensure that a wood stove performs consistent with the certification results, this Program provides incentives only for select wood stoves that are most likely to provide emission reductions under real-world conditions. To ensure that emission reductions do not diminish even further due to improper operation or lack of proper maintenance, each installation will be accompanied by education on proper device operation, maintenance, and importance of using seasoned wood.

Reductions in black carbon, PM_{2.5}, and toxic air contaminants will reduce the impacts of climate change and improve indoor and outdoor air quality and visibility. In some parts of the State, the PM_{2.5} co-benefit reductions could have a significant impact on a region's ability to attain ambient air quality standards.

Reductions in PM_{2.5} pollution will have significant short- and long-term health benefits. Short-term exposures to PM_{2.5} can aggravate lung disease, causing asthma attacks and acute bronchitis, and may also increase susceptibility to respiratory infections. Long-term exposures have been associated with reduced lung function and the development of chronic bronchitis and even premature death.

Consumers should be able to save approximately 20 percent of their annual fuel cost through the use of professionally installed, certified, high efficiency pellet stoves or wood stoves.²⁴ Many old stoves are improperly installed, posing significant safety concerns, including health impacts and potential fires. Professional installation required under this Program will ensure that newly installed stoves meet local fire and building codes. If a replacement device is installed in a residence that does not have functional smoke and carbon monoxide detectors, the Program may pay for purchasing and installing new detectors. The Program may support the local economy and job creation by increasing demand for, and installation of, certified wood stoves and other clean heating devices.

²⁴ Based on the difference in efficiency between uncertified and certified stove:
<https://www3.epa.gov/ttn/chief/ap42/ch01/final/c01s10.pdf>

Key Dates and Deadlines

CARB posted the Program Guidelines for public review and comments on November 7, 2022. The public comment period closed on December 8, 2022, and comments were reviewed and incorporated into the Program Guidelines where appropriate. As a next step, CARB will draft grant agreements with CAPCOA and/or individual Districts. These agreements must be signed and fully executed before funds can be released. If CAPCOA acts as an intermediary between CARB and the Districts, it will be required to enter into separate agreements with the Districts. These separate agreements must ensure compliance with these Program Guidelines and any agreement between CAPCOA and CARB. Any work done prior to a District grant agreement being fully signed and executed will be ineligible for funding. The deadline for executing all grant agreements is June 30, 2023 and the deadline for submitting requests for payment to CARB is April 1, 2025.

Reporting and GHG Quantification

CCI Funding Guidelines set tracking and reporting requirements for agencies that administer GGRF programs, such as CARB. Each District participating in the Program will be responsible for recordkeeping and providing CAPCOA and/or CARB with information necessary to fulfill Program reporting requirements. CAPCOA will be responsible for compiling the reports and submitting them electronically to CARB. All reports must be consistent with the CCI Funding Guidelines,²⁵ quantification methodologies,²⁶ reporting guidance,²⁷ and the requirements established in these Guidelines. The Program implemented in each participating District will be considered a Project with most of the reporting done on a Project basis. The Project will be comprised of all change-outs for which Program funds are being used, within the District's jurisdiction, along with the administrative work required to implement them. Some reported Project information will be publicly available on the CARB website, including the amount of funding spent on change-outs that benefit disadvantaged communities, low-income communities, and low-income households.

In order to document and calculate reductions in GHG, black carbon, and PM2.5 emissions, and document other co-benefits and benefits to disadvantaged communities, low-income communities, and low-income households, CAPCOA and/or Districts will be responsible for collecting and maintaining the following information for each change-out:

- Tracking number for each change-out;
- Location of change-out;

²⁵ <https://www.arb.ca.gov/cc/capandtrade/auctionproceeds/2018-funding-guidelines.pdf>

²⁶ Available at www.arb.ca.gov/cci-quantification

²⁷ *ibid.*

- Incentive amount and, if applicable, verification that Applicant qualifies for an Enhanced Incentive based on the location of the property in a disadvantaged, low-income, or tribal census tract or Applicant's household income;
- Documents proving the change-out benefits a disadvantaged community, low-income community, or low-income household and description of how the change-out meets respective community need(s);
- Type of wood burning device being replaced (stove, insert, or fireplace);
- Replacement device type and make and model;
- Quantity of wood burned annually before replacement;
- Replacement device emission rates and efficiency (if available and applicable);
- Installation date;
- Copy of final permit (City, County, or State);
- Photographic evidence of change-out completion, including "before" and "after" photos showing the devices in relation to the room where they were/are installed;
- Verification of destruction of uncertified stove (including recycling if available locally) or, where applicable, verification of rendering fireplace and chimney permanently inoperable, unless replacement device is an electric heat pump and the recipient keeps the uncertified stove to use only in case of electricity loss;
- Verification that the recipient was trained on device operation and maintenance and, if applicable, following best practices in wood storage and wood burning for residential space heating;
- GGRF dollars spent; and
- Information on jobs and training opportunities created and whether employees are residents of disadvantaged or low-income communities or low-income households.

Documentation of each wood stove replacement must include all of the parameters above, which are necessary for quantifying the reductions. Record keeping and tracking will be retained by CAPCOA or the District for three years after the Project Closeout report is submitted.

Net GHG reductions from wood stove replacement will be calculated using the CARB approved GHG Quantification Methodology for Fiscal Year 2021-2022 available at the [Cap-and-Trade Auction Proceeds Quantification Materials](#) webpage.²⁸ CARB will also develop methodologies to quantify some additional Project co-benefits. CAPCOA will be responsible for performing calculations and reporting results to CARB as part of the reports outlined above.

²⁸ <https://ww2.arb.ca.gov/resources/documents/ci-quantification-benefits-and-reporting-materials>

Disbursement of Funds

Funds cannot be disbursed until there is a fully executed grant agreement between CARB and CAPCOA and/or the individual District. Only those actual and direct Program related costs incurred during the approved term of the grant agreement and as specified in the grant agreement budget will be eligible for payments.

Each District shall maintain an accounting system that accurately reflects fiscal transactions with the necessary controls and safeguards. The accounting system must retain itemized receipts and invoices for all Program funds for at least three years after final payment is made by CARB.

Program Review

The State of California has the right to inspect all work and associated records at any time over the Project life. This right shall extend to any subcontracts, and CAPCOA and/or Districts shall include such access in all their contracts or subcontracts.

CARB shall review a sufficient number of Projects each year to ensure proper Program implementation. The District responsible for the Project selected for program review will be contacted at least 30 days in advance. The program review should include all books, papers, accounts, documents, photographs, and other records related to the Project for which Program funds were used. The District will be expected to assign an employee familiar with the Project and accounting procedures to assist the State reviewer and have the Project records, including cancelled warrants, readily available for inspection.

If the program review reveals that the District did not follow these Guidelines and/or the grant agreement, does not have proper documents to demonstrate following Guidelines and/or the grant agreement, or violated any State or federal law or policy, a corrective action plan will be put in place. The District will have three months to implement the corrective measures. A follow-up program review will be conducted to verify that the deficiencies are fully mitigated. If the corrective actions were not implemented or new problems were discovered during the follow-up program review, a second corrective action plan will be established. If the second follow-up program review is less than satisfactory, the grant agreement with that District will be terminated immediately and the District will be prohibited from receiving any future funding from this Program. The District may be required to fully or partially repay Program funds spent in violation of these Guidelines and/or the grant agreement.

The following are examples of Program deficiencies:

- Replacing a wood stove, wood insert, or fireplace not eligible for the Program;
- Installing a device not eligible for the Program;
- Issuing an Enhanced Incentive to an ineligible Applicant;

- Exceeding the maximum amount of \$10,000 for an electric heat pump or \$5,000 for any other replacement device for Enhanced Incentive and \$5,000 for an electric heat pump or \$2,500 for any other replacement device for a Standard Incentive);
- Failing to properly document each change-out;
- Failing to remove and properly dispose of the old stove (except if the replacement device is an electric heat pump); and
- Allowing an Applicant to install his/her replacement device.

If deficiencies are identified during a program review, CARB will be responsible for communicating them to the District, giving the District an opportunity to respond, and, if necessary, assist in drafting a corrective action plan. Districts must make every effort, including requesting assistance from CARB, if necessary, to ensure that the deficiencies are fully mitigated.