



## MEMORANDUM

**TO:** Members of the Authority

**FROM:** Tim Sullivan  
Chief Executive Officer

**DATE:** February 24 2025

**SUBJECT:** NJ ZIP, the New Jersey Zero Emission Incentive Program: Third Phase of the Voucher Pilot

### Request:

The Members are asked to approve:

1. The creation of Phase 3 of the New Jersey New Jersey Zero-emission Incentive Program (“NJ ZIP” or “Program”), the New Jersey Economic Development Authority’s (“Authority” or “NJEDA”) zero-emission commercial use vehicle voucher pilot.
2. The utilization of \$75.5 million from the Authority’s allocation of New Jersey’s Regional Greenhouse Gas Initiative (RGGI) 2020-2022 and 2023-2025 auction proceeds to capitalize Phase 3 of NJ ZIP.
3. Delegated authority to the Chief Executive Officer staff to decline applications for solely non-discretionary reasons.
4. In relation to this third phase of the pilot Program, and as continued from its initial approval, the Board is asked to approve delegated authority to:
  - The Authority’s Chief Executive Officer (CEO) or delegate(s) of the CEO to, based upon program demand reviewed at 3-month intervals, shift funding allocations;
  - The CEO or delegate(s) of the CEO to approve Purchasers, Vendors, and vehicles as eligible and, subsequently, approve vouchers;
  - The CEO or delegate(s) of the CEO to reallocate any unallocated funds from prior phases of the pilot program into Phase 3 of the Program;
  - The CEO or delegate(s) of the CEO to allocate up to \$500,000 to extend and modify the existing telematics service plan, as necessary, for the duration of the third phase of the Program.

### Background:

The NJ ZIP pilot is structured as a first-come, first-serve voucher program. The pilot is focused on incentivizing the adoption of zero-emission vehicles (ZEV) by New Jersey businesses and institutions,

especially those operating within overburdened communities (as defined by NJ P.L.2020, c.92, and which, for the purposes of the pilot, is used interchangeably with the term “environmental justice communities” specified in the RGGI Strategic Funding Plan), that have been disproportionately impacted by emissions.

The Regional Greenhouse Gas Initiative (RGGI) is a multi-state, market-based "cap-and-invest" program that establishes a regional cap on carbon dioxide (CO2) emissions from the electric power generation sector and therefore allowing for auctioning of emissions rights. States use the proceeds from the CO2 allowance auctions to invest in programs to help further reduce CO2 and other greenhouse gas pollution, spur clean and renewable energy, and provide rate relief on energy bills.

The Authority’s use of this funding is aligned with both its core mission, to foster sustainable and equitable economic growth – in this case, in the commercial-use ZEV ecosystem and value chain within the State – and with the State’s broader clean transportation goals, to transition 75% of medium- and 50% of heavy-duty vehicles to zero emission by 2050 supported by incentive programs, which the Energy Master Plan (Goal 1.1.8) cites as the Authority’s responsibility.

### **Pilot Phases 1 and 2 Performance To-date:**

Phase 1 of the NJ ZIP pilot, launched in April 2021, incentivized the adoption of medium-duty ZEVs within four pilot communities: the Greater Camden, Greater Newark, Greater New Brunswick, and Greater Shore Areas. Phase 2, which launched purchaser applications in April 2023, expanded the eligibility to include heavy-duty vehicle classes and opened applications to entities state-wide, with bonuses awarded for operating and/or domiciling within overburdened communities. In Phase 2, the establishment of a technical assistance mechanism through the Rutgers Help Desk was incorporated, as well as the procurement of state-issued telematics devices intended to monitor the location NJ ZIP funded vehicles—ensuring those emissions reductions remain in New Jersey—throughout the 3-year Compliance Term. Because of delays in procuring telematics devices due to the extended state procurement timelines, shipments of state-issued telematics for NJ ZIP Phase 2 funded vehicles began in January 2025. Geotab telematics devices were acquired through a waiver of advertising for the designated vendor, AT&T, in accordance with New Jersey State Contract #M4006 for consistent reporting with the New Jersey Department of Environmental Protection (NJDEP) across RGGI-funded transportation projects and to monitor post-award compliance requirements.

The primary goals of the pilot, as enumerated in the January 15<sup>th</sup>, 2021 Board memorandum in which the pilot was initially approved, are:

1. Accelerate the adoption and use of medium-to-heavy duty zero-emission vehicles within New Jersey;
2. Reduce emissions within overburdened communities;
3. Allow the Authority to determine and stimulate market-readiness, assess effectiveness of funding levels and program design, and test methodologies for measuring economic impact of such adoption.

In furtherance of these goals, the pilot has received continuous application flow from applicants. As of the end of Q4 2024, a total of \$54.4 million in voucher funding had been committed across 71 Phase 1 applications and 84 Phase 2 applications. Phase 1 vouchers have supported the addition of 134 new ZEVs as of the end of 2024. Phase 2 Waitlisted applications continue to be processed and approved through Q4 2024. Current Phase 2 voucher commitments are projected to support an additional 288 vehicles. The reintroduction of a scrappage bonus for small business applicants in Phase 3 aims to collect valuable data on the economic and environmental impacts of vehicle scrappage and has been increased to incentivize the removal of diesel equivalents, thereby enhancing emission offsets for each project. Upon

evaluation of this phase, a proposal for a longer-term program may be considered, informed by the insights gained from these pilots.

### **Program Details:**

All pilot program goals and rules, as enumerated in the January 2021 and July 2022 Board memorandums in which the first two phases of NJ ZIP were initially approved remain the same, with only proposed changes for Phase 3 detailed in this memo. Exhibit A includes background information and full program details incorporated into Phase 3 from previous phases of the program for reference.

#### *Eligibility:*

Purchaser applicant eligibility requirements remain unchanged from NJ ZIP Phase 2. Applicants are not allowed to use NJ ZIP funding to purchase motor vehicles from themselves, related or affiliated entities. Confirmation of charging/hydrogen fueling infrastructure plan or compatible public charging infrastructure will be required at time of application. Applicants must have existing charging/hydrogen fueling infrastructure OR provide a detailed plan to construct or contract to construct charging/hydrogen fueling infrastructure OR identify compatible public charging infrastructure.

In addition to the eligibility parameters already stated, the applicant must also be in substantial good standing with the New Jersey Department of Labor and Workforce Development (LWD) and NJ Department of Environmental Protection (DEP) at the time of application to be eligible for NJ ZIP Phase 3. A current tax clearance will need to be provided at time of application and at time of closing and disbursement to demonstrate the applicant is properly registered to do business in New Jersey and in substantial good standing with the NJ Division of Taxation.

For the purpose of the third phase, an “Eligible Vehicle” is defined the same as previous phases but the following additional requirements must also be met:

- Purchased, delivered, and registered (in compliance with the New Jersey Motor Vehicles Commission (NJMVC)) within eighteen months of execution of the voucher agreement. Proof of such intent to purchase including quotes for an Eligible Vehicle at time of application is required for eligibility.
  - Vehicles may not be registered for personal use.<sup>[06]</sup>
- Covered by warranty indicating at least 3 years or 50,000 miles of coverage, whichever comes first, covering parts (at a minimum, motor, drive train, and batteries, hydrogen fuel cells, etc.) and labor.
- Compatible with a State-specified telematics device or have the ability to supply equivalent and compatible data at no additional cost to the Authority.
- Procured from a Vendor that meets program eligibility requirements and that is approved to participate in the Program (detailed in the following section)
- The following vehicles are not eligible:
  - Retrofits and repowers of pre-owned vehicles

- Used vehicles

Phase 3 Vendor eligibility will be restricted to licensed vehicle dealers in New Jersey as defined in N.J.S.A. 39:10-19. All other Vendor eligibility requirements remain unchanged from Phase 2, as evidenced in the specifications attached hereto, but Vendors will apply to participate in the Program then be required to enter into a participation agreement<sup>1</sup> with the Authority. In the event the Authority determines a Vendor is ineligible, they will have the ability to appeal that decision in accordance with the Authority's appeal process. In addition to accepting the Program's terms and conditions as laid out in the vendor participation agreement, the Vendor agrees to:

- Provide in-state servicing plan for maintenance of Eligible Vehicles aligned with industry norms and current best practices prior to vehicle delivery.
- Manage the installation of state-issued telematics devices prior to vehicle delivery.
- Manage the commercial registration process of vehicles purchased under the Program in compliance with NJMVC.

*Diversity, Equity and Inclusion:*

Bonuses will continue to be allocated to vouchers for school busses (25%) and applications submitted by small businesses (25%), and/or certified women-, minority-, or veteran- owned businesses (4% per qualification). These bonuses may be stacked with applicants eligible for multiple bonus criteria. Voucher amounts are capped at 100% of vehicle cost.

In addition:

- During any round of funding, 50% of funds will be set aside for applications from small businesses in Overburdened Communities (OBC) as defined in N.J.S.A. 13:1D-158. Remainder of voucher funds will be un-allocated.
  - All set asides expire 6 months after Purchaser application launch date to be rolled into the unallocated pool of funding.
- Applications from small businesses will be eligible for an additional bonus of \$3,000 per vehicle scrapped and replaced with NJ ZIP voucher funded ZEV.

For consistency with prior State programs, scrappage is defined within the DEP's VW Settlement funded grant program as "rendering the vehicle inoperable and available for recycle; at a minimum, to cut a 3-inch hole in the engine block and disable the chassis by cutting the vehicle's frame rails complete in half". Information on any vehicle replacements will be requested within the application to determine scrappage bonus requirements and support RGGI-metric reporting on avoided emissions.

For the purposes of this Program, a small business is defined as having 25 or fewer full-time employees in total OR less than \$5M in annual revenue.

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<sup>1</sup> The vendor participation agreement shall be standardized across all RGGI-funded transportation programs. Eligibility for participation in one program shall be deemed sufficient for participation in the others due to the shared vendor pool.

### *Eligible Funding Uses:*

Vouchers may be applied to the purchase price of an approved vehicle procured from a Vendor that meets program eligibility requirements and that is approved to participate in the Program.

Ineligible costs include but are not limited to:

- Taxes
- Vehicle registration fees
- Delivery fees
- NJEDA fees
- Vehicle leases by the Applicant (vehicle must be owned by the Applicant)
- Vehicle operating expenses (electricity, hydrogen, maintenance/service costs, etc.)
- Charging or fueling equipment

### *Application Process:*

The general methodology for voucher application and approval from the first two phases of the pilot will be maintained in the third phase, with strategic implementation changes made to minimize administrative burden and increase efficiency. Applicants will be provided a 10-business day cure period to correct submission deficiencies identified by staff to be incomplete or incorrect. At the sole discretion of the Authority, staff may ask for additional information or clarification of the information included in the application, including, but not limited to, responses, documentation, and attachments. Applicants that are non-responsive to NJEDA requests for additional information will be notified by NJEDA staff via email that the application will be administratively withdrawn and not advance. If an Applicant responds but is unable to provide the requested additional information, the application will be declined with a right to appeal. A sample Phase 3 application flow and timeline can be found in Exhibit B (for informational purposes only).

Program participants (Vendors and Purchaser Applicants) will adhere to the following steps:

1. Vendors apply to the program and, as appropriate, are approved as eligible. Vendors will be approved on a rolling basis. Vendors have the same right to appeal as they did in Phase 2 if declined. Such eligibility must be maintained through voucher payment for each vehicle sold.
2. Purchaser Applicant identifies an approved Vendor and Eligible Vehicle(s). Purchaser Applicant prepares and submits their respective application, including proof of eligibility. Purchaser applications are accepted on a first-come first-serve basis.
3. NJEDA processes the applications and, if the Purchaser Applicant is eligible and funds are available, approves voucher(s), inclusive of qualifying bonuses and sends the Applicant an award notification. Upon award notification, Purchaser has 30 days to confirm their selected Vendor and vehicle. NJEDA then issues a final voucher agreement to the Purchaser that indicates that their selected approved ZIP Vendor will receive funds upon disbursement of the voucher.
4. The voucher funds are reserved for eighteen months from the date of the voucher agreement (Voucher Reservation Term). During this period, the Vendor and the Purchaser Applicant must execute the program requirements and submit documentation of same. Telematics must be installed, and the vehicle must be delivered to and registered to the Purchaser Applicant during this period. Vehicle registrations may not be for personal use.

5. Disbursement documentation is submitted to NJEDA for review.
6. Once vehicle is confirmed as delivered and registered to the Purchaser Applicant, and all relevant program requirements are met, NJEDA will issue voucher monies to the Vendor.
7. Telematics devices monitor and track RGGI-related emissions data for three years (Compliance Period) following delivery of the vehicles and disbursement of the voucher.

NJEDA Staff will be responsible for reviewing applications, maintaining the program website, and providing program guidance resources, such as FAQs and webinars, to Vendors and Applicants where needed.

### **Program Funding**

The total RGGI-funded NJ ZIP pilot program budget will be \$75,500,000.

Of the total program budget, \$75,000,000 will be reserved to fund vouchers, utilizing the following allocations:

- A first \$37,500,000 allocation round.
- A second \$37,500,000 round to be made available no sooner than 1 year after the initial third phase sub-phase application launches.
- During any round of funding, 50% of funds will be set aside for applications from small businesses in overburdened communities (OBC). Remainder of voucher funds will be unallocated. OBC set aside expires 6 months after Purchaser application launch date to be rolled into the unallocated pool of funding.

The total funding provided to a single applicant (as determined by EIN) through vouchers including any qualifying bonuses cannot exceed \$3,000,000 during a round of funding, to ensure equitable distribution of resources. Applicants who applied in Phase 1 or Phase 2 of the pilot are eligible to apply in Phase 3 (Phase 1 or 2 vouchers do not impact the \$3M cap per EIN in Phase 3).

In addition to the voucher budget, NJEDA will continue to implement the technical assistance pilot. Furthermore, up to \$500,000 will be allocated towards telematics devices for program compliance monitoring utilizing RGGI monies in the budget noted within this memorandum.

### **Fees:**

NJEDA will charge applicants the following fees unique to the program as a result of RGGI administrative funding to cover program administrative costs: NJEDA will charge Vendor Applicants a non-refundable \$1,000 fee to apply into the program. Purchaser applicants will be charged a non-refundable \$500 fee for applying for voucher funds; multiple vehicles can be applied for within a single application. For applicants who demonstrate prior inability to utilize their approved voucher from a previous phase due to Vendor default or terminated agreement, this fee may be waived.

### **Appeals:**

Entities whose applications are denied will have the right to appeal. Appeals must be filed within the timeframe set in the declination letter. The Director of Legal Affairs will designate Hearing Officers who will review the applications, the appeals, and any other relevant documents or information. The Hearing Officer will recommend a final administrative decision to be approved by the Board.

**Recommendation:**

The Members are asked to approve:

1. The creation of Phase 3 of the New Jersey New Jersey Zero-emission Incentive Program (“NJ ZIP” or “Program”), the New Jersey Economic Development Authority’s (“Authority” or “NJEDA”) zero-emission commercial use vehicle voucher pilot.
2. The utilization of \$75.5 million from the Authority’s allocation of New Jersey’s Regional Greenhouse Gas Initiative (RGGI) 2020-2022 and 2023-2025 auction proceeds to capitalize Phase 3 of NJ ZIP.
3. Delegated authority to the Chief Executive Officer staff to decline applications for solely non-discretionary reasons.
4. In relation to this third phase of the pilot Program, and as continued from its initial approval, the Board is asked to approve delegated authority to:
  - The Authority’s Chief Executive Officer (CEO) or delegate(s) of the CEO to, based upon program demand reviewed at 3-month intervals, shift funding allocations;
  - The CEO or delegate(s) of the CEO to approve Purchasers, Vendors, and vehicles as eligible and, subsequently, approve vouchers;
  - The CEO or delegate(s) of the CEO to reallocate any unallocated funds from prior phases of the pilot program into Phase 3 of the Program;
  - The CEO or delegate(s) of the CEO to allocate up to \$500,000 to extend and modify the existing telematics service plan, as necessary, for the duration of the third phase of the Program.



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Tim Sullivan, CEO

Prepared by:  
Lina Rivetti, Project Officer  
John Wisniewski, Director Clean Energy Products

Attachments:

- Exhibit A – Proposed Product Specifications: New Jersey Zero Emission Incentive Program (NJ ZIP) – Phase 3
- Exhibit B - NJ ZIP Phase 3 Timeline and Process Map
- Appendix A –NJ ZIP, the New Jersey Zero Emission Incentive Program: Second Phase Expansion of the Voucher Pilot | July 13<sup>th</sup>, 2022

**Exhibit A**

**NJ ZIP – Zero-emission Incentive Program: Third Phase Expansion of the Voucher Pilot Program Specifications**

These specifications are provided as a summary of the NJ ZIP Phase 3 Pilot memorandum. In the case Exhibit A does not specify details or requirements or utilizes different language from the memorandum, the memorandum takes precedence.

<b>Proposed Program Specifications February 12, 2025</b>	
<b>Funding Source</b>	Funding for NJ ZIP pilot (“Program”) and associated administration will be from eligible Authority funds from the Regional Greenhouse Gas Initiative (RGGI) funds.
<b>Program Budget</b>	\$75,500,000 total funding comprised of \$75,000,000 voucher pool and up to \$500,000 for telematics.
<b>Program Expiration</b>	Program to operate on a pilot basis until such time that the funds are depleted. Funds are anticipated to be committed within an estimated 12 months from acceptance of the first application. The set asides for OBCs expire 6 months after Purchaser application launch date.
<b>Program Purpose</b>	To accelerate the adoption and use of zero-emission medium and heavy-duty vehicles within New Jersey; to reduce emissions within the state; and to allow NJEDA to determine and stimulate market-readiness, assess effectiveness of funding levels and program design, and test methodologies for measuring economic impact of such adoption. The pilot is being used as a vehicle to support the growth of the NJ zero emission vehicle ecosystem, with accelerated adoption of zero emission vehicles being a critical step to attracting more jobs and investment, as other zero emission vehicle programs and regulations roll out across multiple State agencies.
<b>Technical Assistance</b>	<p>The Authority plans to continue engagement with Rutgers University to provide technical assistance support as part of the NJ ZIP Phase 3 pilot expansion.</p> <p>The technical assistance will serve three distinct programmatic areas:</p> <ul style="list-style-type: none"> <li>• Facilitate general education on electric vehicles, understanding total cost of ownership, and behavior adaptation.</li> <li>• Support the implementation of electric vehicles by conducting fleet assessments and developing and assisting with infrastructure plans unique to each applicant.</li> <li>• Administrative guidance</li> </ul> <p>In addition to the external support to applicants, the University will also be tasked with reporting on the impact of technical assistance, using key performance indicators to measure both the economic and environmental impact of funding.</p>
<b>Applicant Eligibility Requirements</b>	<p>To be eligible, an Applicant must:</p> <ul style="list-style-type: none"> <li>• Be a commercial, industrial, or institutional organization in New Jersey. As defined in the Global Warming Solutions Fund regulation (N.J.A.C. 7:27D-1.2), "institutional" means serving a non- profit or public purpose, such as a library, hospital, public school, institution of higher education, municipal utility, public recreation or cultural facility, or government entity. The term “government entity” includes</li> </ul>

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	<p>local and municipal government entities, but for the purposes of this pilot, State government entities are not eligible.</p> <ul style="list-style-type: none"> <li>• Provide a valid New Jersey Tax Clearance Certificate and/or other documentation deemed acceptable by the Authority, as applicable, to demonstrate business registration or ability to conduct operations in NJ. Updated documentation must be submitted at time of application, and prior to closing and disbursement to ensure documentation remains current.</li> <li>• Be in good standing with the New Jersey Department of Labor and Workforce Development and the New Jersey Department of Environmental Protection</li> <li>• Satisfy the Authority’s debarment/disqualification review and not be in default under any Authority program or have any outstanding obligations to the Authority</li> <li>• Be the vehicle owner</li> <li>• Have existing charging/hydrogen fueling infrastructure OR provide a detailed plan to construct or contract to construct a charging/hydrogen fueling infrastructure OR identify compatible public charging infrastructure available.</li> </ul> <p>Applicants are not allowed to use NJ ZIP funding to purchase motor vehicles from themselves, related or affiliated entities.</p>
<p><b>Project/Vehicle Eligibility Requirements</b></p>	<p>To be eligible, Applicant’s new vehicle(s) must be:</p> <ul style="list-style-type: none"> <li>• A new zero-emission Class 2b – Class 8 (GVWR 8,501 lbs. – 33,000+ lbs.) vehicle, used for commercial, industrial, or institutional purposes.</li> <li>• All zero-emission vehicles, defined as “a vehicle that emits no tailpipe pollutants from the onboard source of power, such as particulates, hydrocarbons, carbon monoxide, ozone, lead, and various oxides of nitrogen”, are eligible for vouchers. This includes, but is not limited to, battery-electric (BEV), hydrogen fuel cell-electric (FCEV) vehicles.</li> <li>• Purchased, delivered, and registered (in compliance with the New Jersey Motor Vehicles Commission (NJMVC)) within eighteen months of receipt of voucher agreement. Proof of intent to purchase an Eligible Vehicle at time of application is required for eligibility. <ul style="list-style-type: none"> <li>○ Vehicles may not be registered for personal use</li> </ul> </li> <li>• Covered by warranty indicating at least 3 years or 50,000 miles of coverage, whichever comes first, covering parts (at a minimum, motor, drive train, and batteries, hydrogen fuel cells, etc.) and labor.</li> <li>• Compatible with state-supplied telematics devices or have the ability to supply equivalent and compatible data at no additional cost to the Authority.</li> <li>• The following vehicles are not eligible: <ul style="list-style-type: none"> <li>○ Retrofits and repowers of pre-owned vehicles</li> <li>○ Used vehicles</li> </ul> </li> <li>• Procured from a Vendor that meets program eligibility requirements (detailed in the following section)</li> </ul>
<p><b>Vendor Eligibility Requirements</b></p>	<p>To be accepted as an eligible Vendor, the Vendor must:</p> <ul style="list-style-type: none"> <li>• Be a licensed vehicle dealer in New Jersey</li> </ul>

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	<ul style="list-style-type: none"> <li>• Be registered to conduct business in NJ, as demonstrated by a valid New Jersey Tax Clearance Certificate. Updated documentation must be submitted at time of application and remain current throughout program participation. Valid Tax Clearance Certificate must be submitted with voucher disbursement requests. Be in good standing with the New Jersey Department of Labor and Workforce Development and the New Jersey Department of Environmental Protection</li> <li>• Satisfy the Authority’s debarment/disqualification review and not be in default under any Authority program or have any outstanding obligations to the Authority Manage the registration process of vehicles purchased under this program.</li> <li>• Manage the installation of state-issued telematics devices prior to vehicle delivery.</li> <li>• Offer at least one Eligible Vehicle and provide required vehicle-associated documentation, including but not limited to:             <ul style="list-style-type: none"> <li>○ Listing information related to the vehicles, such as via Vendor website, inclusive of vehicle images, descriptions, and cost</li> <li>○ A specification sheet outlining all major components, corroborating vehicle capabilities, charging/fueling needs, design appropriate to proposed use</li> <li>○ Standard warranty for the Eligible Vehicle(s), indicating at least 3 years or 50,000 miles of coverage, whichever comes first, covering parts (at a minimum, motor, drive train, and batteries, hydrogen fuel cells, etc.) and labor.</li> </ul> </li> <li>• In-state servicing plan for maintenance of vehicles aligned with industry norms and current best practices implemented before vehicle delivery. Vendors must demonstrate in-state Zero Emission Vehicle (ZEV) servicing capability either through their own facilities, equipment, and trained personnel, or via a legally binding agreement with a qualified third-party service provider and must submit appropriate documentation to support this capability to avoid disqualification.</li> <li>• Agree to accept the Program’s terms and conditions as laid out in the vendor participation agreement, including but not limited to:             <ul style="list-style-type: none"> <li>○ Accept the Program’s voucher towards Purchaser Applicant vehicle payments, deducting the vehicle’s voucher amount from the upfront cost.</li> <li>○ Engage with the selected technical assistance provider as necessary, potentially including in-person events when mutually agreed to.</li> </ul> </li> </ul>
<p><b>Maintenance of and Amendments to the Approved List of Vehicles</b></p>	<p>Vehicle models and/or OEMs may be de-listed from the Approved List of Vehicles at the discretion of the Authority for any of the following reasons:</p> <ul style="list-style-type: none"> <li>• Adequate maintenance support for the vehicle make or model is not available in NJ. A vehicle make or model can be delisted from the Approved List of Vehicles under this subheading if there has been a minimum of [3] documented incidents of a vehicle make or model having been out of service for more than [60] consecutive calendar days, due to repair / maintenance being unavailable in state.</li> </ul>

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	<ul style="list-style-type: none"> <li>• There has been a minimum of [3] documented safety or performance issues associated with the vehicle make or model anywhere in the United States. For the purposes of this subsection documentation can consist of reports or notices from the National Highway Traffic Safety Administration documentation, Department of Transportation (state or federal). This includes:             <ul style="list-style-type: none"> <li>○ Any catastrophic failures inherent in the design and manufacturing of the vehicle: e.g., battery fires, failure of safety systems.</li> <li>○ Safety or performance related recalls that cannot be addressed within 90 days of notice.</li> <li>○ The OEM not honoring the provided vehicle warranty in any current or prior phase of the ZIP program.</li> </ul> </li> </ul>																								
<b>Program Funding Level</b>	<p>The total RGGI-funded NJ ZIP pilot program budget will be \$75,500,000.</p> <p>Of the total program budget, \$75,000,000 will be reserved to fund vouchers, utilizing the following allocations:</p> <ul style="list-style-type: none"> <li>• A first \$37,500,000 allocation round.</li> <li>• A second \$37,500,000 round to be made available no sooner than 1 year after the initial Phase 3 sub-phase application launches             <ul style="list-style-type: none"> <li>• During any round of funding, 50% of funds will be set aside for applications from small businesses in overburdened communities. Remainder of voucher funds will be un-allocated.</li> <li>• OBC set aside expires 6 months after Purchaser application launch date and will be rolled into the unallocated pool of funding.</li> </ul> </li> </ul>																								
<b>Project/Vehicle Funding Levels</b>	<p>Voucher base funding amounts are based on GVWR laid out in the table below. Qualifying vehicles will be funded at the following levels:</p> <table border="1" data-bbox="532 1455 1448 1787"> <thead> <tr> <th>Vehicle GVWR</th> <th>Vehicle Class</th> <th>Voucher amount</th> </tr> </thead> <tbody> <tr> <td>8,501 - 10,000 lbs.</td> <td>Class 2b</td> <td>\$15,000</td> </tr> <tr> <td>10,001 - 14,000 lbs.</td> <td>Class 3</td> <td>\$50,000</td> </tr> <tr> <td>14,001 - 16,000 lbs.</td> <td>Class 4</td> <td>\$65,000</td> </tr> <tr> <td>16,001 - 19,500 lbs.</td> <td>Class 5</td> <td>\$75,000</td> </tr> <tr> <td>19,501 - 26,000 lbs.</td> <td>Class 6</td> <td>\$90,000</td> </tr> <tr> <td>26,001 to 33,000 lbs.</td> <td>Class 7</td> <td>\$135,000</td> </tr> <tr> <td>33,000+</td> <td>Class 8</td> <td>\$175,000</td> </tr> </tbody> </table> <p>Bonuses: Eligible applications may receive increased, per-vehicle voucher bonuses through documentation of any of the following:</p>	Vehicle GVWR	Vehicle Class	Voucher amount	8,501 - 10,000 lbs.	Class 2b	\$15,000	10,001 - 14,000 lbs.	Class 3	\$50,000	14,001 - 16,000 lbs.	Class 4	\$65,000	16,001 - 19,500 lbs.	Class 5	\$75,000	19,501 - 26,000 lbs.	Class 6	\$90,000	26,001 to 33,000 lbs.	Class 7	\$135,000	33,000+	Class 8	\$175,000
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	<ul style="list-style-type: none"> <li>• Certified woman-, minority-, or veteran-owned business bonus: 4% increase in the base voucher amount per vehicle per qualifying NJ State certification.</li> <li>• Small business bonus: A 25% increase of the base voucher amount per vehicle.             <ul style="list-style-type: none"> <li>○ For the purposes of this Program, a small business is defined as having 25 or fewer full-time employees in total OR less than \$5M in annual revenue.</li> </ul> </li> <li>• School Bus Bonus: 25% increase in base voucher amount per vehicle if applicant is purchasing a school bus.</li> <li>• Small business vehicle scrappage bonus: \$3,000 bonus per vehicle scrapped and replaced with a NJ ZIP voucher funded ZEV.             <ul style="list-style-type: none"> <li>○ For consistency with prior State programs, scrappage is defined within the DEP’s VW Settlement funded grant program as “rendering the vehicle inoperable and available for recycle; at a minimum, to cut a 3-inch hole in the engine block and disable the chassis by cutting the vehicle’s frame rails complete in half”. Information on any vehicle replacements will be requested within the application to determine scrappage bonus requirements and support RGGI-metric reporting on avoided emissions. Scrappage will be verified prior to disbursement.</li> </ul> </li> </ul> <p>Applicants may apply for more than one vehicle voucher within the same application. The total funding per vehicle may equal but may not exceed the cost of the vehicle. The total funding reserved for an Applicant (as determined by EIN) through vouchers inclusive any qualifying bonuses, cannot exceed \$3M per EIN in each round of funding, to ensure equitable distribution of resources. (Phase 1 and 2 vouchers do not impact \$3M cap per EIN in Phase 3)</p>
<b>Funding Disbursement</b>	<p>The voucher funds are reserved for eighteen months from the date of the voucher agreement (Voucher Reservation Term). During this period, the vehicle must be delivered and registered, and all disbursement documentation must be submitted to the NJEDA prior to expiration of the voucher. All Applicants will have the 18-month voucher reservation window to submit disbursement requests. For disbursement requests received at the end of the 18-month voucher reservation window, Applicants will be provided a 10-business day cure period to correct submission deficiencies identified by staff to be incomplete or incorrect.</p> <p>Once vehicle is confirmed as delivered and registered to the Purchaser Applicant, and all relevant program requirements are met, NJEDA will issue voucher monies to the Vendor. If applicable, proof of vehicle scrappage must be submitted prior to disbursement.</p>
<b>Conditions of Funding</b>	<p>By accepting the voucher funding, as applicable Purchaser Applicants and Vendors will also agree to the following terms:</p> <ul style="list-style-type: none"> <li>• Purchaser Applicant will maintain registration of the vehicle in the State of New Jersey for a minimum of the three continuous years             <ul style="list-style-type: none"> <li>○ Vehicles must be registered in compliance with NJMVC. Vehicles may not be registered for personal use.</li> </ul> </li> <li>• Purchaser Applicant will annually operate at least 75% of vehicle miles traveled (VMT) in the State of the New Jersey</li> </ul>

**Proposed Program Specifications  
February 12, 2025**

- NJEDA’s right to audit and verify compliance with eligibility requirements post-voucher redemption and agree to provide responses and data upon request to support such audits and verifications.
- Permit the use by NJEDA of Purchaser Applicant and vehicle data and information that is provided in the application and audit process, and that is not otherwise prohibited by law, for case studies and to support the development of future versions of this program, or future alternative programs.
- If the Purchaser defaults in any year within the first three years (Compliance Period) of the executed Voucher agreement, the Authority will impose a recapture of the award on a scaled basis, as outlined below.

Year of Compliance event of default within:	Recapture percentage
1 year from date of executed grant agreement	100%
2 years from date of executed grant agreement	60%
3 years from date executed grant agreement	30%

- The Portion of the voucher award will also encompass a prorated calculation per vehicle, per class, inclusive of any approved bonus. For example, if a purchaser defaults on 3 out of 5 vehicles in the same class, the amount of the voucher award to be repaid will be determined using the formula below:

$$\text{Voucher per vehicle class} = \left( \frac{\text{Total voucher amount (inclusive of bonuses)}}{\text{Number of Vehicles}} \right) * \% \text{ prorated per year of compliance}$$

Following an event of default, if the awardee does not take corrective action by timely repaying the recapture amount the Authority's SLM team will utilize their established policies and delegated authorities to engage in forbearance and settlement agreements for the NJ ZIP awardee.

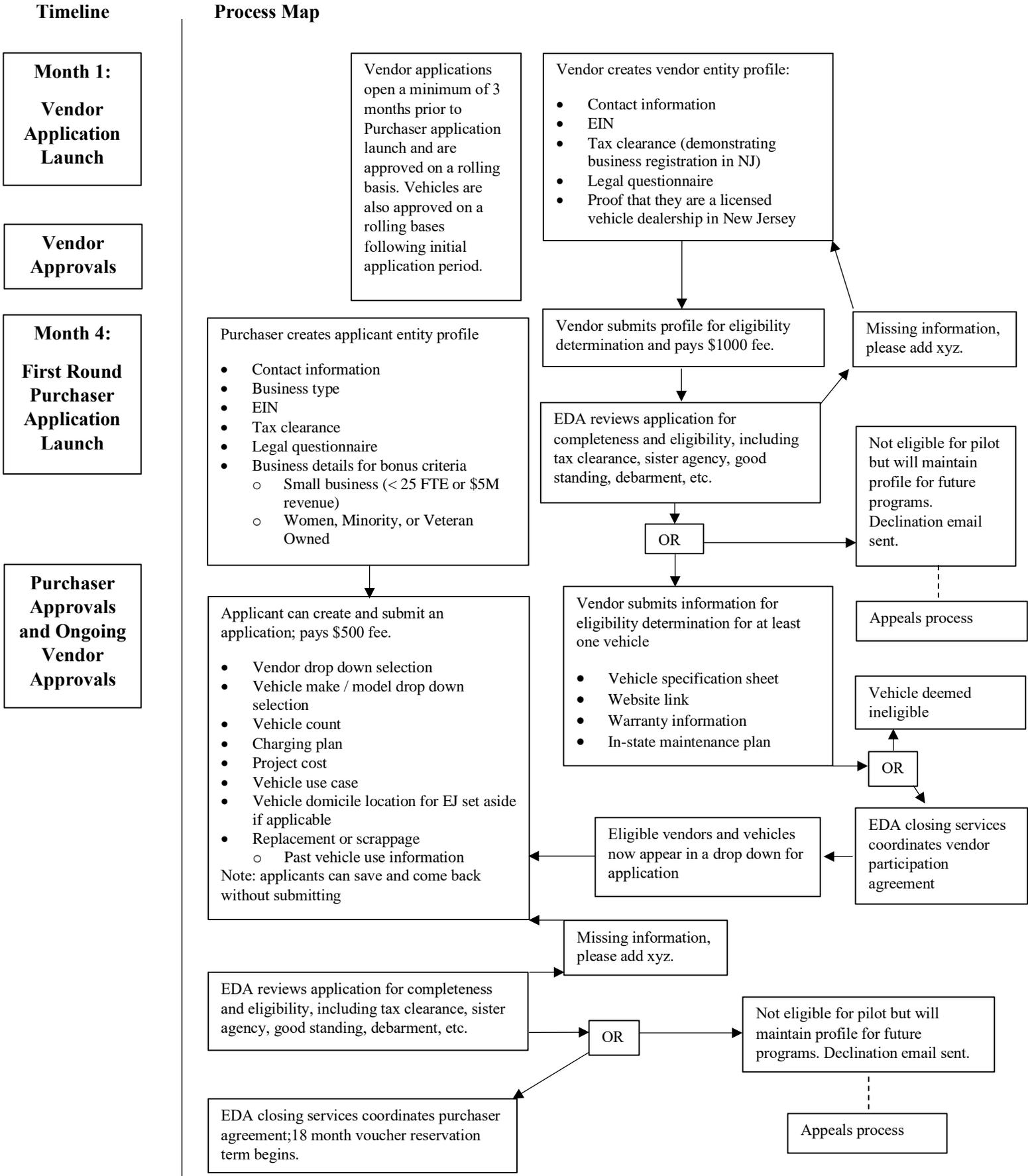
**Fee Schedule**

NJEDA will charge applicants the following fees unique to the NJ ZIP program given the availability of RGGI administrative funding to cover program administrative costs: Vendor Applicant will be assessed a non-refundable application fee of \$1,000 upon initial vendor application. Purchaser applicant will be assessed a non-refundable application fee of \$500 per application. Purchaser Applicant may apply for more than one vehicle voucher in a single application. For applicants who demonstrate their inability to utilize their approved voucher from a previous phase due to Vendor default or agreement termination, this fee may be waived.

## Exhibit B

### NJ ZIP Phase 3 Example Timeline and Process Map

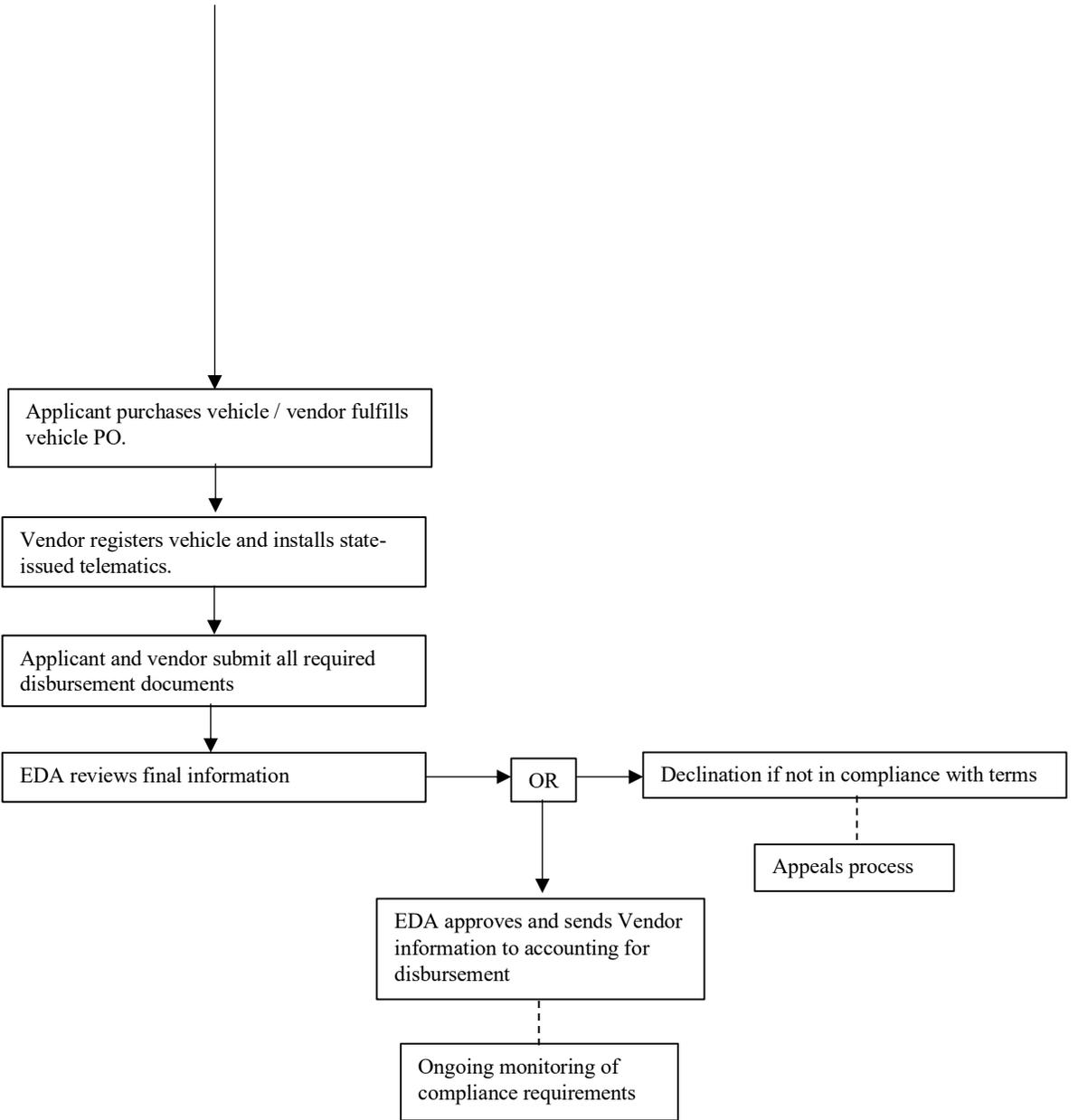
The content presented in this exhibit is intended solely for informational and demonstrative purposes.



**Month 10**  
**Expiration of**  
**EJ Set Aside**

**Month 12**  
**Processing First**  
**Round**  
**Disbursements;**  
**Second Round**  
**Purchaser**  
**Application**  
**Launch**

**Month 12:**  
**Three-year**  
**Compliance**  
**Term Begins for**  
**Phase 3 First**  
**Round**  
**Awardees**





## Appendix A - MEMORANDUM

**TO:** Members of the Authority

**FROM:** Tim Sullivan, Chief Executive Officer

**DATE:** July 13, 2022

**RE:** NJ ZIP, the New Jersey Zero Emission Incentive Program: Second Phase Expansion of the Voucher Pilot

### REQUEST

The Members of the Board are requested to approve a \$46,575,000 expansion to the New Jersey Economic Development Authority's ("Authority") existing zero-emission commercial-use vehicle voucher pilot, the New Jersey Zero-emission Incentive Program (NJ ZIP). The first phase of the pilot is currently focused on the adoption and use of medium-duty zero-emission vehicles in four selected pilot communities: Greater Camden, Greater Newark, Greater New Brunswick, and Greater Shore Areas. This memorandum proposes the expansion of the current pilot into a second phase, to test new program functions, features, and eligibility, based on learnings from the first phase, with the anticipation of a longer-term program launched after the completion of this second phase, given its success and continued availability of funding. The pilot and related administration will be funded from the Authority's allocation of New Jersey's Regional Greenhouse Gas Initiative (RGGI) auction proceeds; as such, to remain good stewards of these funds, the Authority must continue prompt allocation of these monies to projects that support commercial, industrial, and institutional businesses' transitions to clean transportation.

In relation to this pilot program, and as continued from its initial approval, the Board is asked to approve delegated authority to:

- The Authority's Chief Executive Officer (CEO) or delegate(s) of the CEO to, based upon program demand reviewed at 3-month intervals, (i) shift funding allocations and (ii) adjust voucher amounts;
- The CEO or delegate(s) of the CEO to approve Purchasers, Vendors, and vehicles as eligible and, subsequently, approve vouchers or extensions of vouchers reservation term;
- The CEO or delegate(s) of the CEO to, upon recommendation of the reviewing officer, decline eligibility based solely on non-discretionary reasons;
- The CEO or delegate(s) of the CEO to, upon recommendation of the reviewing officer, to waive half the application fee for Applicants upon demonstration by the Applicant that the imposition of the fee would propose undue financial hardship;

- In connection with any appeal from declination based solely on non-discretionary reasons, the CEO or delegate(s) of the CEO to designate a Hearing Officer who has not previously been directly involved in the eligibility determination, to prepare a recommendation to the final decision maker. The CEO or delegate(s) of the CEO shall make a final written decision on the matter, which shall constitute the Authority’s Final Administrative Decision. .

## **OVERVIEW**

The NJ ZIP pilot is structured as a first-come, first-serve voucher program. The pilot is focused on incentivizing the adoption of zero-emission vehicles (ZEV) by New Jersey businesses and institutions, especially those operating within overburdened community (as defined by NJ P.L.2020, c.92, and which, for the purposes of the pilot, is used interchangeably with the term “environmental justice communities” specified in the RGGI Strategic Funding Plan), that have been disproportionately impacted by emissions. The Authority’s use of this funding is aligned with both its core mission, to foster sustainable and equitable economic growth – in this case, in the commercial-use ZEV ecosystem and value chain within the State – and with the State’s broader clean transportation goals, to transition 75% of medium- and 50% of heavy-duty vehicles to zero emission by 2050 supported by incentive programs, which the Energy Master Plan (Goal 1.1.8) cites as NJEDA’s responsibility.

### **Current Pilot Phase Performance To-date**

The current phase of the NJ ZIP pilot focuses specifically on incentivizing the adoption of medium-duty ZEV within four pilot communities: the Greater Camden, Greater Newark, Greater New Brunswick, and Greater Shore Areas.

The primary goals of the pilot, as enumerated in the January 2021 Board memorandum in which the pilot was initially approved, are:

- 1) Accelerate the adoption and use of medium duty zero-emission vehicles within New Jersey;
- 2) Reduce emissions within the pilot overburdened communities, greater Newark and greater Camden
- 3) Allow NJEDA to determine and stimulate market-readiness, assess effectiveness of funding levels and program design, and test methodologies for measuring economic impact of such adoption.

In service to these goals, the pilot has received continuous application flow from applicants in the eligible communities, in addition to repeated interest for expansion to more parts of the state and for longer-term funding. As of the end of Q2 2022, two hundred twenty-eight (228) purchaser applications have been submitted to the Program, totaling \$43.6M in active applications. Of these, one hundred forty-four (144) purchaser applications have been approved for a total of \$32.2M in vouchers for zero-emission medium-duty vehicles; with \$199,500 in voucher funding requested for disbursement. The remaining applications are in the queue for review (62 applications), or, at Applicant request, have been withdrawn (22 applications).

The vehicles supported by the approved vouchers would result in the reduction of 6,569.2 short tons of carbon emissions annually within the pilot communities they operate in, greater Camden (37 vehicles with vouchers totaling \$3,638,000), greater Newark areas (92 vehicles with vouchers totaling \$9,542,750),

greater New Brunswick (27 vehicles with vouchers totaling \$2,786,000) and greater Shore area (140 vehicles with vouchers totaling \$16,260,000).

More than 90% of the approved purchaser applicants are small businesses (receiving a 25% funding bonus), with the vast majority being microbusinesses earning less than \$1,500,000 annually, and more than 57% of approvals to date are minority- and/or woman-owned businesses.

### **Pilot Expansion Design Overview and Reasoning**

As intended, the first phase of the pilot has provided an opportunity not only to support the accelerated adoption of ZEV, but also to assess the effectiveness of the program design, through both quantitative analysis and external feedback. NJEDA has received both positive and constructive feedback to the program through ad hoc outreach and in more formalized stakeholdering. This analysis and feedback is what is driving the proposed incremental program improvements, ensuring the Authority is continuing to be a good steward of its RGGI allocation and address market needs.

The expansion to the pilot proposed herein is intended to build on the successes and be responsive to the learnings from the first phase. The overarching structure of the pilot will remain unchanged, allowing New Jersey businesses or institutions (“Purchaser Applicants”) to reserve voucher funding for eligible ZEV for commercial, industrial, or institutional use, reducing the upfront cost of the ZEV alternatives. The pilot program has eligibility requirements for the Purchaser Applicant, the vehicle purchased, and the vehicle seller/manufacturer (“Vendor”). Pursuant to the standard operating procedures adopted to support the first phase of the pilot’s launch after January 2021 Board approval, the voucher can then be redeemed by the Vendor after proof of registration of the eligible vehicle(s) by the Purchaser Applicant.

The second phase of this pilot contemplates two major eligibility changes from the first phase – to expand eligibility to include heavy-duty vehicle classes and to Purchaser Applicants statewide – and proposes updated support structures for pilot participants, including the development of a technical assistance mechanism. In addition, a number of small yet impactful changes will be made based on stakeholder feedback, including adjustment of voucher funding levels, extending voucher duration to account for the on-going supply chain crisis, and considering future opportunities for creative vehicle ownership solutions for the program participants.

While the core goals of the pilot remain the same, the goals of this second phase have been updated to reflect new features as well as learnings from the first phase, as outlined below:

- 1) Accelerate the adoption of zero-emission medium- and heavy-duty vehicles (ZE MHDV) for commercial and institutional use within New Jersey;
- 2) Expand equitable access to voucher funds to a wider range of fleets interested in electrification, ranging from large national fleet operators to small owner-operator businesses;
- 3) Reduce emissions within the state of New Jersey, with a focus on benefits to overburdened communities;
- 4) In response to market demand demonstrated during the first phase of the pilot, test additional or alternative methods to incentivize expanded range of vehicle classes, support new areas while maintaining support for overburdened communities, stimulate market-readiness, and improve business participant’s experience with the Program and in the zero-emission transportation space; and

- 5) Reduce barriers of entry in the transition to commercial zero-emission vehicles through technical assistance, market-reactive program flexibility, and improved application clarity.

In order to appropriately understand new program functions and features, the second phase of the pilot is merited for several reasons. First, the expansion of eligibility to include heavy-duty vehicles opens the program up to entirely new potential Vendors and Purchaser Applicants. While the Authority has a benchmarked data and stakeholder input relative to what participants have found suitable in other states, the Authority does not yet have the experience with this market in New Jersey to justify a permanent program proposal without direct, local data. Second, expansion to statewide fleets is likely to provide a ‘stress test’ to the systems and procedures that supported the first phase, with an influx of applications within a year of the application opening. Having the flexibility to learn from this increased application flow and improve processes in a pilot stage is critical to inform a long-term, sustainable program model. Third, as the next RGGI Strategic Funding Plan is currently under development, the Authority has not confirmed certainty of continued availability of funding for a more permanent program. Finally, in approving this expansion, the Authority would be approving a commensurate level of funding to the first phase of the pilot, in a single approval rather than over the course of several expansions. Based on this level of funding, it is anticipated that another 200 - 400 ZEVs will be approved for vouchers, which represents approximately 0.1% of medium-duty commercial and institutional vehicles registered in New Jersey – truly a nascent industry, in need of a pilot that can be responsive to changing needs. The insight outlined above, at a pilot stage, will allow NJEDA to appropriately shape both eligibility and compliance requirements. Further, the funding level proposed would allow NJEDA to allocate the majority of its calendar year 2021 RGGI proceeds, acting as good stewards of the auction proceeds, improving access to them and the resultant emissions and economic benefits. After evaluation of the impact of this second phase, a longer-term program with expanded eligibility, improved by the learnings of this pilot, may be proposed.

NJEDA will continue to implement and administer this program and the associated technical assistance for the program, using administrative funds, as permitted by the RGGI statute, "for administrative costs incurred in the administration of programs to reduce the emissions of greenhouse gases", at a rate of 3.5% in addition to the program funds. NJEDA Staff will be responsible for reviewing applications, maintaining a program website, and providing educational resources, such as access to technical assistance, FAQs, and webinars, to Vendors and Purchaser Applicants when needed.

## **BACKGROUND**

### ***The Regional Greenhouse Gas Initiative (RGGI)***

RGGI is a multi-state, market-based program that establishes a regional cap on carbon dioxide (CO<sub>2</sub>) emissions from the electric power generation sector allowing for auctioning of emissions rights, traditionally referred to as a “cap-and-trade” program. Through its participation in eight quarterly RGGI auctions starting in 2020, New Jersey has received funding that totaled approximately \$290 million, with a projection that, by the end of the year, could total another \$70 million in proceeds.

Under the Global Warming Solutions Fund at N.J.S.A. 26:2C-51, the Authority is allocated 2% of these funds for administration of programs and, after deduction of administrative funds for the other two participating agencies (the New Jersey Board of Public Utilities, NJBPU, and the New Jersey Department of Environmental Protection, NJDEP), is then allocated 60% of the remaining

funds for programs. As mandated in the current RGGI Strategic Funding Plan (2020 through 2022), the Authority must spend its allocation on clean, equitable transportation programs in the commercial, industrial, and institutional sectors, as well as on the creation of a green bank, demonstrating net emission reductions and economic co-benefits. To date, NJEDA has been allocated approximately \$146 million in RGGI funds, and has utilized nearly \$47 million, primarily through funding phase one of NJ ZIP.

In August 2020, to enable this work, the Board approved hiring a consultant, Guidehouse, to support the development of a data-driven ZE MHDV strategy for the State with the goals of increasing ZE MHDV adoption, decreasing emissions, improving environmental justice, and fostering the creation of new jobs and investments in New Jersey. The second phase of the voucher pilot program proposed herein expands on the first phase as part of a holistic cross-Agency approach, intended to lay the groundwork and stimulate the market to prepare for future programs necessary to meet the broader programmatic goals.

## **PROGRAM PURPOSE AND POLICY ALIGNMENT**

Several State plans call for ZEV adoption. Governor Murphy’s 2018 Economic Development Strategic Plan, “The State of Innovation: Building a Stronger and Fairer New Jersey Economy” includes goals for innovation in clean energy and transportation, as a path to catalyze economic growth. The 2019 Energy Master Plan, which outlines the State’s goal of 100% clean energy by 2050, includes as its first strategy the reduction of energy consumption and emissions from the transportation sector, establishing as targets that by 2050, 75% of medium-duty and 50% of heavy duty vehicles be ZEV. The 2020 RGGI Strategic Funding Plan, collectively developed by NJDEP, NJBPU, and NJEDA, outlines funding priorities and metrics for ZEV adoption to support clean, equitable transportation with anticipated economic co-benefits, such as increased jobs and investment. In addition, Governor Murphy signed the Multi-state Medium- and Heavy-Duty Zero Emission Vehicle Memorandum of Understanding in 2020, agreeing to target converting 30% of all MHDV sales to zero emission by 2030, and 100% of sales to zero emission by 2050. In each of these policies, equity in program planning, access, and impact is cited as a core pillar to meaningfully accomplish the stated goals.

This pilot is being used as a vehicle to not only reduce harmful emissions in the state, but also to support the growth of the NJ ZEV ecosystem, with accelerated adoption of ZEVs being the first step to attracting more jobs and investment, as other ZE MHDV programs and regulations roll out across multiple State agencies.

While transitioning from internal combustion engine MHDVs to zero emission alternatives will align with the above-noted policies, MHDV owners and operators face many barriers to ZEV adoption.

Beyond desktop research, supported by Guidehouse’s benchmarking, NJEDA formally gathered stakeholder input on these barriers through a request for information (RFI) in July 2020, and has continued to gather ad hoc feedback, host listening sessions, and schedule workshops with stakeholders throughout the first phase of the pilot to catalog challenges. Although there have been many valuable and varied insights, several major themes of barriers have arisen over the course of the last year and a half:

1. Desired vehicles are not available in the market or are not funded by the program; as such, upfront cost of such ZEV and related financing uncertainties are too high for near term adoption;

2. Charging infrastructure availability, costs, and related interconnection and permitting processes are too uncertain;
3. ZEV MHDV technology, knowledge, or access that meets their business or community needs is unavailable;
4. The program needs to reduce operational friction and increase clarity, especially for small businesses.

The most persistent ad hoc comment was a request for an expansion of eligible vehicle classes and eligible locations. Many would-be applicants noted their interest in the program, but vehicles were not available to suit their business needs or they did not operate in eligible areas. Additionally, based on the internal Authority staff observations, a significant degree of support was necessary to ensure small businesses understood the program and their various obligations and options.

While the first phase of the pilot program primarily addressed the first barrier for medium-duty zero emission vehicles, as they represent the largest percentage of the commercial vehicle population and were more readily available, the second phase strives to address additional barriers.

First, to address the calls for increased access, the second phase will expand to include the whole state and heavy duty vehicles. This expansion will not only increase access to these funds, but will start to target the heavy-duty vehicles that create the largest proportion of harmful emissions (SO<sub>x</sub>, NO<sub>x</sub>, and particular matter) as the ZE HDV sector ramps up production. This will more adequately address the breadth and depth of the market, providing the Authority with the opportunity to assess the functionality of the program for the wider range of use-cases, such as drayage, refuse vehicles, and school buses.

Second, to address the knowledge barrier, this second phase will incorporate technical assistance via an MOU with technical experts, detailed on under Technical Assistance section, providing a critical lifeline to small businesses who need specific and technical guidance to support their decision making on ZEV adoption. As outlined in the approval and application statistics previously cited, the first phase of the pilot was utilized primarily by small businesses. This positive outcome, while aligned with program intentions, was supported by significant outreach and education provided by the Authority team. As such, this update will also alleviate NJEDA administrative burden, allowing the team to continue to improve its services directly related to the product and prompt processing of applications.

Third, to address some challenges with user experience, NJEDA will assess and, where appropriate, implement, updates to the application portal and website. Additionally, improvements in efficiency of internal processes will reduce external friction and lower known barriers for small businesses.

This pilot does not include direct support for charging infrastructure but will serve as a way to gather data on charging plans that are included with the application and needs to inform potential future support. Further, the Authority intends to provide improved guidance, via technical assistance, to help NJ ZIP participants access other sources of funding for charging.

Similarly, this program does not itself support the creation of new technologies or workforce initiatives within the state, but it will continue to incentivize local Vendors and manufacturers and gather insights on knowledge gaps, which are critical first steps to creating a ZE MHDV knowledge hub in the State that can stimulate further growth. As token of the program's success to-date, a California-based electric vehicle manufacturer, working directly with NJ ZIP customers, has signed a letter of intent with a New Jersey

state university to provide education for in-state EV servicing technicians, and is opening a final assembly facility in New Jersey.

This pilot alone is not sufficient to match the ambition of the State’s ZE MHDV goals, or to address all the barriers laid out by stakeholders. It is one tool of many interlocking efforts that must be developed and deployed state-wide to serve as the foundation for New Jersey’s zero emission transportation economic evolution.

## **PROPOSED PROGRAM STRUCTURE & DESIGN**

### **Pilot Program Eligibility**

The NJ ZIP pilot program will provide funding to support Purchaser Applicants who meet a set of eligibility criteria, and whose selected vehicles, vehicle Vendors, and vehicle use case (i.e., use for commercial, industrial, or institutional purposes) qualify. The goal of these eligibility criteria is to simplify the program for rapid impact, appeal to a wide range of fleets interested in electrification, and collect information that will inform future programs. Any applicant approved under the first phase remains subject to the terms in the executed agreement under the first phase.

To be eligible for the second phase, an Applicant must:

- Be a commercial, industrial, or institutional organization in New Jersey. As defined in the Global Warming Solutions Fund regulation (N.J.A.C. 7:27D-1.2), "institutional" means serving a non-profit or public purpose, such as a library, hospital, public school, institution of higher education, municipal utility, public recreation or cultural facility, or government entity. The term "government entity" includes local and municipal government entities, but for the purposes of this pilot, State government entities are not eligible.
- Provide a valid New Jersey Tax Clearance Certificate and/or other documentation deemed acceptable by the Authority, as applicable, to demonstrate business registration or ability to conduct operations in NJ.
- Be in good standing with the New Jersey Department of Labor and Workforce Development and the New Jersey Department of Environmental Protection
- Satisfy the Authority’s debarment/disqualification review and not be in default under any Authority program or have any outstanding obligations to the Authority
- Be the vehicle owner

To be eligible for the second phase, the Purchaser Applicant’s proposed vehicle(s) must be:

- A new zero-emission Class 2b – Class 8 (GVWR 8,501 lbs. – 33,000+ lbs.) vehicle, used for commercial, industrial, or institutional purposes. Retrofits and repowers of pre-owned vehicles are not eligible.

- All zero-emission vehicles, defined as “a vehicle that emits no tailpipe pollutants from the onboard source of power, such as particulates, hydrocarbons, carbon monoxide, ozone, lead, and various oxides of nitrogen”, are eligible for vouchers. This includes, but is not limited to, battery-electric (BEV) and hydrogen fuel cell-electric (FCEV) vehicles.
- Purchased, delivered, and registered (in compliance with the New Jersey Motor Vehicles Commission (NJMVC)) within twelve months of receipt of voucher approval letter. Proof of such intent to purchase at time of application is required for eligibility. An extension for up to an additional 6 months may be permitted as described below.
- Not a subject of any other State or federal funding for the same vehicle(s)
- Procured from a Vendor that meets program eligibility requirements (detailed in the following section)

Note: Vehicle scrappage is not mandated by this program EXCEPT in the case that the new vehicle is replacing a vehicle model year 2009 or earlier. For consistency with prior State programs, scrappage is defined within the DEP’s VW Settlement funded grant program as “rendering the vehicle inoperable and available for recycle; at a minimum, to cut a 3-inch hole in the engine block and disable the chassis by cutting the vehicle’s frame rails complete in half”. Vehicles that are not replacements (i.e., ZEV purchased are for new use cases or to expand a fleet) or are replacing a model year 2010 or later DO NOT have to comply with scrappage requirements. Information on any vehicle replacements will be requested within the application to determine scrappage requirements and support RGGI-metric reporting on avoided emissions.

To be eligible for the second phase, vehicle Vendor must:

- Provide proof of a minimum of 12 months of experience selling or manufacturing eligible zero-emission vehicles
- Be registered to conduct business in NJ, as demonstrated by a valid New Jersey Tax Clearance Certificate
- Be in good standing with the New Jersey Department of Labor and Workforce Development and the New Jersey Department of Environmental Protection
- Satisfy the Authority’s debarment/disqualification review and not be in default under any Authority program or have any outstanding obligations to the Authority
- Offer at least one eligible vehicle and provide required vehicle-associated documentation, including but not limited to:
  - Listing information related to the vehicles, such as via Vendor website, inclusive of vehicle images, descriptions, and sale cost
  - A specification sheet outlining all major components, corroborating vehicle capabilities, charging/fueling needs, design appropriate to proposed use, and eligibility

- Certification from the manufacturer that the vehicle complies with all applicable state and federal requirements for operation, including the Federal Motor Vehicle Safety Standards (FMVSS) issued by the National Highway Traffic Safety Administration (NHTSA), found in Title 49 of the Code of Federal Regulations (CFR).
- Standard warranty for the eligible vehicle(s), indicating at least 3 years or 50,000 miles of coverage, whichever comes first, covering parts (at a minimum, motor, drive train, and batteries, hydrogen fuel cells, etc.) and labor. May be updated on a per-Purchaser basis.
- Typical delivery plan and timeline, updated on a per-Purchaser basis.
- In-state servicing plan for maintenance of vehicles aligned with industry norms and current best practices implemented before vehicle delivery. May be updated on a per-Purchaser basis.
- Standard charging or fueling plan development methodology, updated on a per-Purchaser basis to address such Purchaser's needs, providing clarity on, but not limited to, the anticipated count, type, capacity, and location of chargers/fueling stations necessary for vehicle
- Agree to accept the Program's terms and conditions as laid out in the grant agreement, including but not limited to:
  - Accept the Program's voucher towards Purchaser Applicant vehicle payments, deducting the vehicle's voucher amount from the upfront cost.
  - Engage with the selected technical assistance provider that EDA signs an MOU with as necessary, potentially including in-person events when mutually agreed to

By accepting the voucher funding, as applicable Purchaser Applicants and Vendors will also agree to the following terms:

- Purchaser Applicant will register the vehicle in the State of New Jersey for a minimum of the three continuous years
- Purchaser Applicant will annually operate at least 75% of vehicle miles traveled (VMT) in the State of the New Jersey
- NJEDA's right to audit and verify compliance with eligibility requirements post-voucher redemption, and agree to provide responses and data upon request to support such audits and verifications. For example, to verify vehicle miles traveled within the eligible overburdened communities, NJEDA may require data such as but not limited to telematics, route maps, delivery histories, etc.
- Permit the use by NJEDA of Purchaser Applicant, Vendor, and vehicle data and information that is provided in the application and audit process, and that is not otherwise prohibited by law, for case studies and to support the development of future versions of this program, or future alternative programs

- Purchaser Applicant will commit to displaying a visual indication on the commercial vehicle that it is a ZEV and that its purchase was subsidized through this program, as materially provided by NJEDA (e.g., a bumper sticker, placard, etc.)

**Pilot Program Voucher Funding Levels**

Voucher funding amounts are based on GVWR laid out in the table below:

**Table 1: Voucher Amounts**

<b>Vehicle GVWR</b>	<b>Vehicle Class</b>	<b>Voucher amount</b>
8,501 - 10,000 lbs.	Class 2b	\$20,000
10,001 - 14,000 lbs.	Class 3	\$50,000
14,001 - 16,000 lbs.	Class 4	\$65,000
16,001 - 19,500 lbs.	Class 5	\$75,000
19,501 - 26,000 lbs.	Class 6	\$90,000
26,001 - 33,000 lbs.	Class 7	\$135,000
33,001+ lbs.	Class 8	\$175,000

These voucher amounts are based on industry research with subject matter experts through procured consultant, Guidehouse, benchmarked against other states’ current, prior, and proposed programs, and verified with outreach from stakeholders. These values represent, based on current range of estimated ZEV costs, approximately 75 – 110% of the incremental cost of ZEV compared to similar internal combustion engine vehicles, bringing the zero emission vehicle closer to or at upfront cost parity for trucks. Through the same research, EV Buses have a much larger upfront cost compared to diesel bus alternatives. These base voucher amounts would not meet the incremental cost of a ZEV bus, thus the need for additional voucher funding.

In order to address stakeholder-identified barriers or to further incentivize activity aligned with the Authority’s mission, Purchaser Applicants may be eligible and apply for increased per-vehicle voucher bonuses through documentation of any of the following:

- Certified woman-, minority-, or veteran-owned business bonus: 4% increase in the base voucher amount per vehicle per qualifying NJ State certification
- Small business bonus: A 25% increase of the base voucher amount per vehicle.

- For the purposes of this Program, a small business is defined as having 25 or fewer full time employees in total OR less than \$5M in annual revenue.
- New Jersey manufacturing bonus: A 25% increase of base voucher amount per vehicle will be available if the Vendor can formally document (for example, but not limited to, through price sheets and hourly rates) that 25% of the cost of the vehicle is spent in NJ on labor for vehicle design, assembly, and/or manufacturing or cost of components produced in New Jersey.
- EJ Bonus: 10% increase of base voucher amount per vehicle to small business applicants or municipalities who commit to driving in overburdened (“EJ”) communities. To be eligible, Purchaser Applicants must demonstrate in a manner acceptable to the Authority, annual operation of 50% or more of VMT OR registration and domicile within overburdened community census tracts for a minimum of three continuous years from date of registration
- School Bus Bonus: 25% increase in base voucher amount per vehicle if applicant is purchasing a school bus.

These bonuses may be stacked, with Applicant eligible for multiple bonus criteria.

Applicants may apply for more than one vehicle voucher within the same application. The total funding per vehicle may equal but may not exceed the cost of the vehicle. The total funding reserved for an Applicant (as determined by EIN) through vouchers inclusive of any qualifying bonuses, cannot exceed \$3,000,000, to ensure equitable distribution of resources.

Because this funding is provided through appropriations, all disbursements will be subject to appropriations and availability of funding.

### **Technical assistance**

In addition to the voucher program itself, NJEDA is proposing to pilot a ZE MHDV technical assistance program in conjunction with the phase two pilot expansion. NJEDA will execute a Memorandum of Understanding (MOU) with a New Jersey State University to engage them to provide technical assistance. This memorandum serves to notify the Board of the plan to pursue such an engagement, which, pursuant to Authority policy regarding MOU scope and cost, may be executed by the CEO or may be brought back to Board in a substantially final form, inclusive of final funding amount and associated administration, paid for through RGGI funds.

The need for technical assistance, especially for small businesses navigating the ZEV space for the first time, is a critical learning from the first phase, and will be supportive of the expanded phase two pilot goals, including equitable access to the program.

The proposed technical assistance will serve three distinct programmatic areas. The first area of focus will facilitate general education on electric vehicles, understanding total cost of ownership, and behavior adaptation. The second will support the implementation of electric vehicles by conducting fleet assessments and developing and assisting with infrastructure plans unique to each applicant. Lastly, the engaged University will guide applicants through the administrative process. This may include activities such as navigating NJEDA application portal, as well as other state agency requirements (i.e. securing

businesses certifications and tax clearance certificate, understand requirements for registering vehicles, access to other state funding for infrastructure, guidance towards utility interconnection applications, etc).

In addition to the external support to applicants, the University will also be tasked with reporting on the impact of technical assistance, using key performance indicators to measure the impact of funding.

This assistance is being proposed as a pilot not only because it was an identified gap in the ZEV ecosystem in the state, but also because technical assistance may in future shift to electric distribution companies.

In August 2021, the NJ Board of Public Utilities issued a New Jersey Electric Vehicles Infrastructure 2021 – Medium and Heavy Duty Straw Proposal. In the NJBPU’s straw proposal, utilities are proposed as responsible for providing technical assistance to public and private fleets to ensure that ZE MHDV charging is well planned and appropriate to the needs of the fleet. Such planning should address timing and size of charging, incorporation of storage to reduce grid impact and ensure resiliency and address any interconnection issues that may arise. In addition, the straw proposal suggests that utilities should provide technical assistance, including the development and hosting of customer accessed fleet planning and modeling tools, to private fleets interested in EV adoption to ensure adequate charging infrastructure is planned for and incorporated into the grid. As the straw proposal is not yet adopted as minimum filing requirements, the technical assistance outlined here and to be provided via MOU with a State University through the NJ ZIP pilot will provide a critical support – especially to small businesses – in the intervening time.

### **Pilot Program Structure and Process**

The general methodology for voucher application and approval from the first phase of the pilot will be maintained in the second phase, with strategic implementation changes made to minimize administrative burden and increase efficiency.

Vouchers will be issued and redeemed through the following steps:

1. Vendors apply into the program and, as appropriate, are approved as eligible. Such eligibility must be maintained to continue to be approved within the program.
2. Purchaser Applicant selects an approved Vendor and their eligible vehicle(s)
3. Purchaser Applicant and Vendor prepare and submit their respective portion of the application, including proof of eligibility. If a Vendor has already been approved, the Vendor does not need to obtain a new approval unless there is a change from the prior Vendor application and approval.
4. NJEDA processes the applications and, if the Purchaser Applicant, Vendor, and vehicle are eligible and funds are available, approves voucher(s), inclusive of qualifying bonuses and sends the Applicant a voucher reservation approval letter.
5. The voucher funds are reserved for twelve months from the date of the approval letter. During this period, the Vendor and the Purchaser Applicant must execute the program agreement and submit documentation of same. Then, the vehicle must be delivered to and registered by the Purchaser Applicant during this period. A voucher reservation may be renewed for one six-month extension if requested prior to expiration and will be granted based on evidence by the Purchaser Applicant

and Vendor of good faith efforts to procure, deliver, and register vehicle.

6. Vehicle is delivered to and registered by the Purchaser Applicant. Documentation is submitted to NJEDA.
7. Once vehicle is confirmed as delivered and registered to the Purchaser Applicant, and all relevant program requirements are met, NJEDA will issue voucher monies to the Vendor.

NJEDA Staff will be responsible for reviewing applications, maintaining the program website, and providing program guidance resources, such as FAQs and webinars, to Vendors and Applicants where needed.

### **Appeals**

Purchaser Applicants and Vendors will be able to appeal the Authority's determination of initial eligibilities, extension request eligibility, and/or funding amounts. Appeals will be reviewed by a hearing officer, who will be a staff member who has not up until that point been directly involved in the eligibility determination. Funds will be set aside for the maximum amount of voucher for any appeals that are lodged with the Authority until final resolution of the appeal.

### **Post-eligibility audits**

Staff will conduct audits on a representative sample of disbursed vouchers to confirm that Purchaser Applicant and Vendor self-certifications are accurate and obligations in the agreement are upheld. In such cases where the audit reveals that the self-certification was not accurate or commitments were not upheld and this impacts eligibility, NJEDA may require, as remedy, that the relevant proportion of these funds be returned from either the Purchaser Applicant or the Vendor and/or may refer these organizations to the relevant State agency for further investigation. Any material misrepresentations by a Purchaser Applicant or Vendor in any submission required by the Authority for participation in the program or failure to uphold relevant commitments by Purchaser Applicant or Vendor may be considered by the Board in requiring repayment of a portion or all of the funds and in disqualifying the Purchaser Applicant or Vendor from future contracting with or financial assistance from the Authority.

### **ESTIMATED BUDGET AND IMPACT**

The total RGGI-funded NJ ZIP pilot program budget will be \$46,575,000.

Of the total program budget, \$45,000,000 will be reserved to fund vouchers, utilizing the following allocations:

- \$15,000,000 will be set-aside for small businesses
- \$15,000,000 will be set-aside for overburdened community applications

Remainder of voucher fund will be un-allocated.

As previously noted, the total funding provided to a single applicant (as determined by EIN) through vouchers and any qualifying bonuses cannot exceed \$3,000,000, to ensure equitable distribution of

resources. Applicants who applied in phase 1 of the pilot are eligible to apply in phase 2; phase 1 approvals do not impact the \$3,000,000 cap.

In addition to the voucher budget, NJEDA will implement a technical assistance pilot, contracting with a New Jersey State University through an MOU. The Authority will fund the technical assistance pilot utilizing RGGI monies in addition to the budget noted within this memorandum.

NJEDA will charge Vendor Applicants a \$1,000 fee to apply into the program. Purchaser Applicants will be charged a \$1000 fee for applying for voucher funds; multiple vehicles can be applied for within a single application. For Applicants who demonstrate that the imposition of the fee would impose an undue financial hardship, this fee may be reduced.

In addition, NJEDA will charge 3.5% administration costs, for a total of \$575,000, as permitted by statute.

Based on the pilot program voucher fund budget of \$45 million, it is anticipated that 200 - 400 vouchers will be issued for the purchase of zero-emission vehicles. As required by the RGGI Strategic Funding Plan, NJEDA will report, based on NJDEP defined metrics, calculated avoided emissions and co-benefits.

### **REQUEST FOR DELEGATED AUTHORITY**

Beginning in July 2003 the Members of the Authority have been asked to delegate signing authority to staff on certain financing and incentive transactions, to create efficiencies for our customers and provide fluidity to our business. Delegated authority for Phase II of this pilot program is consistent with delegated authority previously granted for the first phase of NJ ZIP, which saw average award amounts of \$231,317.

Specifically, for the NJ ZIP pilot program, the Board is asked to approve granting delegated authority to:

- The Authority's Chief Executive Officer (CEO) or delegate(s) of the CEO to, based upon program demand reviewed at 3-month intervals, (i) shift funding allocations and (ii) adjust voucher amounts;
- The CEO or delegate(s) of the CEO to approve Purchasers, Vendors, and vehicles as eligible and, subsequently, approve vouchers or extensions of vouchers reservation term;
- The CEO or delegate(s) of the CEO to, upon recommendation of the reviewing officer, decline eligibility based solely on non-discretionary reasons;
- The CEO or delegate(s) of the CEO to, upon recommendation of the reviewing officer, to waive half the application fee for Applicants upon demonstration by the Applicant that the imposition of the fee would propose undue financial hardship;
- In connection with any appeal from declination based solely on non-discretionary reasons, the CEO or delegate(s) of the CEO to designate a Hearing Officer who has not previously been directly involved in the eligibility determination, to prepare a recommendation to the final decision maker. The CEO or delegate(s) of the CEO shall make a final written decision on the matter, which shall constitute the Authority's Final Administrative Decision.

If the program expands beyond the pilot stage, these delegation levels are to be revisited by the Board.

## CONCLUSION

The State has ambitious goals for the transition of New Jersey's MHDVs to zero-emission by 2050 with specific benefits to overburdened communities, and the NJ ZIP is a critical step in this direction to support the ZEV marketplace and rapidly deploy electric MHDVs on the road. As such, the Members are requested to approve NJ ZIP pilot expansion Phase 2 with \$46,575,000 of RGGI funding, and all the associated components, delegated authority, and processes detailed herein.



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Tim Sullivan, CEO

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