

ATTACHMENT C

SUPPLEMENTAL ENVIRONMENTAL PROJECT

Diesel Engine SEP Criteria. The Diesel Engine SEP shall satisfy each of the following criteria:

. It shall involve the retrofit of high-emitting, in-service heavy duty diesel vehicles with emissions control equipment or the replacement of their engines in order to reduce emissions of particulates and ozone precursors.

. It shall benefit sensitive populations, including children, that are otherwise exposed to particulate emissions and ozone precursors from such vehicles. This criterion may be met, for example, with a project involving the retrofit or replacement of diesel engines in school buses and/or municipal fleets.

. Primarily it shall involve fleets of vehicles that are operated in non-attainment areas.

. It shall involve fleets located in geographically diverse areas.

. It shall cover the hardware and installation costs, and may provide also for incremental maintenance costs and/or costs of repairs on such hardware for a period of up to four years after installation.

. It shall cover fleets for which the affected municipality, school district or similar local governmental entity has committed: (i) to maintain any equipment installed in connection with the SEP during and after completion of the SEP; (ii) to use ultra low-sulfur diesel fuel with the affected vehicles during and after completion of the SEP; and (iii) to the extent feasible, to take steps to achieve additional emissions reduction benefits in connection with the project, such as by implementing an idle control program.

. It shall involve vehicles that are operated an average of at least four days per week. For vehicles operated on a seasonal basis, the four-day-per-week minimum threshold under the previous sentence shall apply during the season(s) in which the vehicles are operated.

. It shall involve vehicles that are located in areas in which ultra low-sulfur diesel fuel ("ULSD") is already available, is scheduled to become available, or will become available as a result of Toyota's implementation of the ULSD-related actions described below.

. An affected municipality, school district or similar local government entity whose fleet will be retrofitted using SEP funds may also propose the use of additional SEP funds for (a) the procurement of tanks or other infrastructure required to enable that fleet to obtain and use ULSD and (b) offset of higher fuel costs incurred by that entity that result from the requirement to use ULSD by the retrofitted fleet. Use of SEP funds for these ULSD-related purposes may be permissible up to June 1, 2006. Priority shall be given to proposals for which additional funding for ULSD-related costs is provided by other sources.