

January 31, 2022

VW Environmental Mitigation Trust for State Beneficiaries  
Mr. Russell Crane, 5<sup>th</sup> Floor  
c/o Wilmington Trust, N.A. as Trustee  
Rodney Square North  
110 North Market Street  
Wilmington, DE 19890

RE: State of Montana VW Settlement – Semiannual Report  
Reporting period July 1 – December 31, 2021

Dear Mr. Crane,

On October 2, 2019, Montana received approval of its first request for disbursement of Trust Assets, commencing Montana's reporting obligations to the Trustee. As per section 5.3 *Beneficiary Reporting Obligations* of the Environmental Mitigation Trust Agreement, each Beneficiary shall submit to the Trustee a semiannual report describing the following:

1. The progress implementing each Eligible Mitigation Action during the six-month period leading up to the reporting date (including a summary of all costs expended on the Eligible Mitigation Action through the reporting date), and
2. The status (including actual or projected termination date), development, implementation, and any modification of each approved Eligible Mitigation Action.

Please contact Neal Ullman of my staff if you have any questions about this report. He can be reached at 406-444-6582 or [neal.ullman@mt.gov](mailto:neal.ullman@mt.gov).

In accordance with Section 5.3 of the Volkswagen Environmental Mitigation Trust Agreement for State Beneficiaries, I attest that the information contained in this report is true and correct and that the submission is made under penalty of perjury.

Sincerely,

Sonja Nowakowski  
Air, Energy & Mining Division Administrator  
Montana Department of Environmental Quality

Beneficiary	Montana Department of Environmental Quality
Eligible Mitigation Action Title	EMA 2: Class 4-8 School Bus, Shuttle Bus, or Transit Bus
Reporting Period Covered	07/01/2021-12/31/2021

Project Budget				
Budget Category	Share of Total Budget to be Funded by the Trust	Cost-Share to be paid by Project Recipient	Total Budget Amount	Expended
Transit Buses & Charging Infrastructure	\$2,000,000	\$1,523,346	\$3,523,346	\$1,000,000.00
Administrative Costs (Program planning, development, outreach, administration)	\$75,000	\$0	\$75,000	\$64,729.36
<b>Project Totals</b>	<b>\$2,075,000</b>	<b>\$1,523,346</b>	<b>\$3,598,346</b>	<b>\$1,064,729.36</b>

\* Total administrative expenses include \$1,422.29 of administrative expenses incurred in September 2019 in accordance with Montana's mitigation plan.

**Narrative:** The Montana Department of Environmental Quality (DEQ) posted a Request for Applications (RFA) in January 2019 for the Clean Transit Bus program, offering up to \$2,500,000 to provide reimbursement funding for eligible transit bus replacement projects. The purpose of this program is to support the overall goal of the Volkswagen Environmental Mitigation Trust (EMT), reduction of mobile source NOx emissions, while also achieving the goals outlined in Montana's Volkswagen EMT Beneficiary Mitigation Plan, and the Class 4-8 School Bus, Shuttle Bus, or Transit Bus Eligible Mitigation Action. The program is to fund the replacement of 2009 engine model year or older class 4-8 transit buses with new all-electric, diesel hybrid, compressed natural gas, or propane transit buses.

In 2019, the Clean Transit Bus program received two applications in two grant rounds for a total of \$2,000,000 to fund the replacement of four diesel transit buses with electric-powered transit buses and associated charging infrastructure. As of this semiannual report, a contract has been signed with both successful applicants, the Missoula Urban Transportation District (MUTD), to replace two diesel transit buses with electric-powered transit buses and to purchase charging infrastructure, and the University of Montana (UM), to replace two diesel transit buses with electric-powered transit buses and to purchase charging infrastructure.

DEQ's contract with MUTD has been closed out and funding released to MUTD. DEQ's contract with UM requires that the mitigation action be completed by October 31, 2022.

Beneficiary	Montana Department of Environmental Quality
Eligible Mitigation Action Title	EMA 9: Light Duty Zero Emission Vehicle Supply Equipment
Reporting Period Covered	07/01/2021-12/31/2021

Project Budget				
Budget Category	Share of Total Budget to be Funded by the Trust	Cost-Share to be paid by Project Recipient	Total Budget Amount	Expended
Costs associated with installation of electric vehicle charging stations	\$1,480,294.60	\$743,828.90	\$2,224,123.50	\$127,656.00
Administrative Costs (Program planning, development, outreach, administration)	\$115,454.62	\$0	\$115,454.62	\$33,470.46
<b>Project Totals</b>	<b>\$1,595,749.22</b>	<b>\$743,828.90</b>	<b>\$2,339,578.12</b>	<b>\$161,126.46</b>

**Narrative:** The Montana Department of Environmental Quality (DEQ) posted a RFA in August 2019 for the Charge Your Ride (CYR) program, offering up to \$300,000 to provide reimbursement funding for installation of electric vehicle charging stations. DEQ posted another RFA in October 2020 for the *Fast Charge Your Ride* (FCYR) program, offering up to \$1.32 million to provide reimbursement funding for installation of electric vehicle charging stations. The purpose of these programs is to support the overall goal of the Volkswagen Environmental Mitigation Trust (EMT), reduction of mobile source NOx emissions, while also achieving the goals outlined in Montana’s Volkswagen EMT Beneficiary Mitigation Plan, and the Light Duty Zero Emission Vehicle Supply Equipment Eligible Mitigation Action. The programs are to fund the installation of Level 2 and Level 3 electric vehicle charging stations.

In 2019 and 2020, CYR made 15 grant awards for the installation of 22 dual-port Level 2 stations, five single-port Level 2 stations, and three Level 3 fast-charging stations for a total of \$288,656. As of December 30, 2021, a grant agreement has been signed with 13 of the applicants and two applicants declined the awards. Five of the agreements have been successfully closed out and funding released to the awardees.

DEQ has finalized grant agreements with four of the five successful *Fast Charge Your Ride* awardees.

DEQ’s grant agreements require that Charge Your Ride projects be completed within 12 months. Agreements with five *Fast Charge Your Ride* projects must be completed within 24 months.

Beneficiary	Montana Department of Environmental Quality
Eligible Mitigation Action Title	EMA 10: Diesel Emission Reduction Act (DERA) Option
Reporting Period Covered	07/01/2021-12/31/2021

Project Budget				
Budget Category	Share of Total Budget to be Funded by the Trust	Cost-Share to be paid by Project Recipient	Total Budget Amount	Expended
Costs associated with purchase of school buses	\$268,541	\$2,537,626.23	\$2,806,167.23	\$148,995.00
Administrative Costs (Program planning, development, outreach, administration)	\$47,390	\$0	\$47,390	\$37,780.55
<b>Project Totals</b>	<b>\$315,931</b>	<b>\$2,537,626.23</b>	<b>\$2,853,557.23</b>	<b>\$186,775.55</b>

**Narrative:** The Montana Department of Environmental Quality (DEQ) posted RFAs in October 2019, April 2020, and October 2020 for the Clean School Bus program, offering funding to provide reimbursement funding for eligible school bus replacement projects. The purpose of this program is to support the overall goal of the Volkswagen Environmental Mitigation Trust (EMT), reduction of mobile source NOx emissions, while also achieving the goals outlined in Montana’s Volkswagen EMT Beneficiary Mitigation Plan, and the DERA Option Eligible Mitigation Action. The program is to fund the replacement of model years 1996-2019 diesel-powered C and D type school buses with new, battery-electric school buses or school buses with low NOx engines and replace model years 1996-2009 diesel-powered C and D type school buses with propane and cleaner diesel buses.

The Clean School Bus program received 22 applications in three grant rounds to fund the replacement of 22 diesel school buses with six low NOx certified propane buses, two propane buses, and 14 cleaner diesel buses. Contracts have been signed with all 18 of the applicants and 10 have been successfully completed.

DEQ’s contracts requires that the mitigation actions be completed by August 31, 2022.