

APPENDIX D-4
Beneficiary Eligible Mitigation Action Certification

If applicable, describe how the mitigation action will mitigate the impacts of NOx emissions on communities that have historically borne a disproportionate share of the adverse impacts of such emissions (5.2.10).

See Attached

ATTACHMENTS
(CHECK BOX IF ATTACHED)

- Attachment A Funding Request and Direction.
- Attachment B Eligible Mitigation Action Management Plan Including Detailed Budget and Implementation and Expenditures Timeline (5.2.4).
- Attachment C Detailed Plan for Reporting on Eligible Mitigation Action Implementation (5.2.11).
- Attachment D Detailed cost estimates from selected or potential vendors for each proposed expenditure exceeding \$25,000 (5.2.6). [Attach only if project involves vendor expenditures exceeding \$25,000.]
- Attachment E DERA Option (5.2.12). [Attach only if using DERA option.]
- Attachment F Attachment specifying amount of requested funding to be debited against each beneficiary's allocation (5.2.13). [Attach only if this is a joint application involving multiple beneficiaries.]

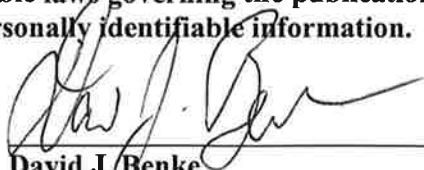
CERTIFICATIONS

By submitting this application, the Lead Agency makes the following certifications:

1. This application is submitted on behalf of Beneficiary Minnesota, and the person executing this certification has authority to make this certification on behalf of the Lead Agency and Beneficiary, pursuant to the Certification for Beneficiary Status filed with the Court.
2. Beneficiary requests and directs that the Trustee make the payments described in this application and Attachment A to this Form.
3. This application contains all information and certifications required by Paragraph 5.2 of the Trust Agreement, and the Trustee may rely on this application, Attachment A, and related certifications in making disbursements of trust funds for the aforementioned Project ID.
4. Any vendors were or will be selected in accordance with a jurisdiction's public contracting law as applicable. (5.2.5)
5. Beneficiary will maintain and make publicly available all documentation submitted in

support of this funding request and all records supporting all expenditures of eligible mitigation action funds subject to applicable laws governing the publication of confidential business information and personally identifiable information. (5.2.7.2)

DATED: 2/4/2020



David J. Benke
Division Director

Minnesota Pollution Control Agency

[LEAD AGENCY]

for

Minnesota

[BENEFICIARY]

ATTACHMENT B

PROJECT MANAGEMENT PLAN PROJECT SCHEDULE AND MILESTONES

Milestone	Date
Request for Proposals announced (Phase 1 DERA 2)	October 2019
Request for Proposal Closing – Application Deadline	December 6, 2019
MPCA selects potential grant recipients from eligible application pool	January 2020
MPCA submits Funding Request to Trustee – Appendix D-4: Beneficiary Eligible Mitigation Action Certification including Attachments	Feb 7, 2020
Trustee Acknowledges Receipt of Funding Request	Receipt from Trustee
Trustee Allocates Share of State Funds	Transfer date
Grant agreements signed with selected entities	CY 2020, Q1
Grantee provides proof of destruction, invoices and other documents required for reimbursement	CY 2020, Q2-Q4
MPCA reviews, requests corrections if necessary, certifies project completion, and provides reimbursement	CY 2020, Q2-Q4
MPCA Reports to the Trustee on the status of and expenditures with Mitigation Actions completed and underway.	January 30 and July 30 thereafter

PROJECT BUDGET

Budget Category	Total Project Budget	Share of Total Budget to be Funded by the Trust	Share of Total Budget paid by Federal DERA Program	Cost-Share, paid by fleet owners
1. Equipment Expenditure	\$6,099,376	\$1,210,965	\$344,989	\$4,543,422
2. Contractor Support	\$26,245	\$0	\$26,245	\$0
3. Sub recipient Support	\$0	\$0	\$0	\$0
4. Administrative ¹	\$112,474	\$0	\$112,474	\$0
Project Totals	\$6,238,095	\$1,210,965	\$483,708	\$4,543,422
Percentage	100%	21.5%	8.6%	69.9%

¹ Subject to Appendix D-2 15% administrative cap

PROJECTED TRUST ALLOCATIONS

	CY 2018	CY 2019	CY 2020
1. Anticipated Annual Project Funding Request to be paid through the Trust			\$1,210,965
2. Anticipated Annual Cost Share			\$5,027,130
3. Anticipated Total Project Funding by Year (line 1 plus line 2)			\$6,238,095
4. Cumulative Trustee Payments Made to Date Against Cumulative Approved Beneficiary Allocation	\$2,350,000	\$7,401,110	
5. Cumulative Outstanding Trustee Payments Requested Against Cumulative Approved Beneficiary Allocation	\$1,545,000		
6. Current Beneficiary Project Funding to be paid through the Trust (line 1)			\$1,210,965
7. Total Funding Approved (plus pending) for Beneficiary Eligible Mitigation Actions, inclusive of Current Action (sum of lines 4, 5, and 6)	\$3,895,000	\$7,401,110	\$1,210,965
8. Beneficiary Share of Estimated Funds Remaining in Trust	\$44,975,782	\$38,437,993	\$38,812,777
9. Net Beneficiary Funds Remaining in Trust, net of cumulative Beneficiary Funding Actions (line 8 minus lines 5 and 6)	\$43,430,782	\$38,437,993	\$37,601,812

ATTACHMENT C
DETAILED PLAN FOR REPORTING ON
ELIGIBLE MITIGATION ACTION IMPLEMENTATION

The Minnesota Pollution Control Agency (MPCA) will provide detailed reporting on this Environmental Mitigation Trust project in 2 ways:

1. Timely updates to MPCA's Volkswagen (VW) Environmental Mitigation Trust webpage (www.pca.state.mn.us/vw) ;
2. Minnesota's semiannual reporting obligation to Wilmington Trust (the "Trustee")

MPCA maintains a VW Environmental Mitigation Trust specific webpage that has been designed to support public access and limit burden for the general public. The MPCA's VW specific webpage can be found at www.pca.state.mn.us/vw. Timely updates to the webpage will inform the general public on the projects' status as well as when these projects have been completed.

Subparagraph 5.3 of the Environmental Mitigation Trust Agreement for State Beneficiaries details Minnesota's Reporting Obligations: "For each Eligible Mitigation Action, no later than six months after receiving its first disbursement of Trust Assets, and thereafter no later than January 30 (for the preceding six-month period of July 1 to December 31) and July 30 (for the preceding six-month period of January 1 to June 30) of each year, each Beneficiary shall submit to the Trustee a semiannual report describing 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). Such reports shall include a complete description of the status (including actual or projected termination date), development, implementation, and any modification of each approved Eligible Mitigation Action. Beneficiaries may group multiple Eligible Mitigation Actions and multiple sub-beneficiaries into a single report. These reports shall be signed by an official with the authority to submit the report for the Beneficiary and must contain an attestation that the information is true and correct and that the submission is made under penalty of perjury. To the extent a Beneficiary avails itself of the DERA Option described in Appendix D-2, that Beneficiary may submit its DERA Quarterly Programmatic Reports in satisfaction of its obligations under this Paragraph as to those Eligible Mitigation Actions funded through the DERA Option. The Trustee shall post each semiannual report on the State Trust's public-facing website upon receipt."

MPCA shall, in the next semiannual report following the Trustee's approval of this project, describe the progress implementing this Eligible Mitigation Action that will include a summary of all costs expended on the Eligible Mitigation Action through the reporting date. The report will also include a complete description of the status, development, implementation (including project schedule and milestone updates), and any modification to this Eligible Mitigation Action.

Attachment D

DETAILED COST ESTIMATES FROM SELECTED OR POTENTIAL VENDORS FOR EACH PROPOSED EXPENDITURE EXCEEDING \$25,000

Project owners were asked to submit the total cost for each new project in their grant application.

Listed below are detailed equipment cost estimates for projects that are projected to have a grant expenditure above \$25,000.

Project	Project Label	Projected grant equipment expenditure	Projected total equipment cost
Wheel Loader	1	\$ 96,000.00	\$ 384,000.00
Loader	2	\$ 105,952.25	\$ 423,808.25
Off Highway Truck	3	\$ 244,918.25	\$ 979,672.25
Off Highway Truck	4	\$ 244,918.25	\$ 979,672.25
Excavator	5	\$ 34,250.00	\$ 137,000.00
Off Highway Truck	6	\$ 244,918.25	\$ 979,672.25
Off Highway Truck - partial award	7	\$ 145,202.00	\$ 979,672.25
Elec. Terminal Tractor	8	\$ 151,933.05	\$ 337,629.05
Elec. Terminal Tractor	9	\$ 144,112.00	\$ 320,250.00
Generator	10	\$ 56,250.00	\$ 225,000.00
Crawler	11	\$ 87,500.00	\$ 350,000.00

Appendix D-4– Supplemental Information Beneficiary Eligible Mitigation Action Certification

Beneficiary: Minnesota

Lead Agency: Minnesota Pollution Control Agency

In support of funding request no. 8

MN Phase 1 DERA 2

Appendix D4 - Summary

Explanation of how funding request fits into Beneficiary’s Mitigation Plan (5.2.1):

A detailed description of this project is described on pages 5-10 of Minnesota’s Beneficiary Mitigation Plan (see attached excerpt). This funding request will support the 2019 DERA program.

Detailed Description of Mitigation Action Item Including Community and Air Quality Benefits (5.2.2):

This DERA2 Off-Road replacement and idle reduction program will award grants to replace 11 old diesel pieces of equipment. Eight of these new pieces of equipment will be operated in Greater Minnesota, and 3 will be located in the Twin Cities Metropolitan area. New equipment includes two loaders, four off highway trucks, one excavator, one generator, one crawler, and two all-electric terminal tractors. All new pieces of equipment will replace old diesel equipment, resulting in substantial environmental improvement.

We anticipate more than 40% of all MN VW projects will be located in areas disproportionately impacted by air pollution. All projects are selected using Minnesota’s environmental justice mapping tools as part of our selection criteria.

The Minnesota Pollution Control Agency anticipates the following emissions reductions as a result of DERA2 Off-Road project:

Pollutant	NOx	PM 2.5	GHG
Lifetime Tons of Pollution Reduced	182	38	3474

Estimate of Anticipated NOx Reductions (5.2.3):

Lifetime NOx reductions will be 182 Tons

Identification of Governmental Entity Responsible for Reviewing and Auditing Expenditures of Eligible Mitigation Action Funds to Ensure Compliance with Applicable Law (5.2.7.1):

The Minnesota Pollution Control Agency (MPCA) is responsible for all Volkswagen projects in MN.

Describe how the Beneficiary will make documentation publicly available (5.2.7.2):

- All non-private documents will be publicly available through Minnesota's public facing website: www.pca.state.mn.us/vw.

The Minnesota Government Data Practices Act (MGDPA), found in [Chapter 13 of Minnesota statutes](#), is a Minnesota state law that regulates the handling of all governmental data that are collected, created, disseminated, maintained, received and stored by a political subdivision, state agency or statewide system regardless of their physical form, how they are stored or how they are used. The Minnesota Pollution Control Agency (MPCA) is a state agency and, therefore, subject to the requirements of the MGDPA.

There is a general presumption in the MGDPA that all governmental data are public unless there is a federal law, state statute or temporary classification that allows the data to be classified as not public. Some of the not public data types that may be included within the MPCA's grant application and award documentation include, but are not limited to, business data, personal information, security information, social security numbers, trade secret information etc.

The MPCA is statutorily obligated to maintain such data types as not public and, therefore, will not provide them when requested or present them on our public facing website. The MPCA will provide requesters with notification that the not public data are not being provided and will cite the federal law, state statute or temporary classification that allows for this not public classification.

Describe any cost share requirements to be placed on each NOx source proposed to be mitigated (5.2.8):

There is a maximum grant percentage for each eligible piece of off-road equipment being replaced. The grant amount is 25% for total replacement of equipment, or 40% for either engine replacement or adding idle reduction technology. All electric replacement pieces of equipment may be reimbursed up to 50% of the cost of the equipment. Each off-road equipment owner is responsible for funding the remainder of the replacement for their projects.

Describe how the Beneficiary complied with subparagraph 4.2.8, related to notice to U.S. Government Agencies (5.2.9):

The Minnesota Pollution Control Agency contacted all necessary US Government agencies on Monday, Feb 12, 2018 as described in 4.2.8. The MPCA received replies from National Park Service and US Forest Service on Wed, Feb 14, 2018 acknowledging receipt of all necessary documents.

If applicable, describe how the mitigation action will mitigate the impacts of NOx emissions on communities that have historically borne a disproportionate share of the adverse impacts of such emissions (5.2.10):

The MPCA is using our Environmental Justice and Department of Health mapping tools to help choose projects in areas that have historically borne a disproportionate share of the adverse impacts of NOx emissions.

Attachment E

2/4/2020

Note from Minnesota Pollution Control Agency (MPCA):

This document contains the original work plan approved by the EPA as well as the minor changes that were proposed in January, 2020. EPA staff did an initial review of these changes and gave email approval.

FISCAL YEAR 2019

STATE CLEAN DIESEL GRANT PROGRAM

WORK PLAN AND BUDGET NARRATIVE TEMPLATE

INSTRUCTIONS: States and territories applying for FY 2019 DERA State Clean Diesel Grant Program funding must use this template to prepare their Work Plan and Budget Narrative.

Please refer to the FY 2019 STATE CLEAN DIESEL PROGRAM INFORMATION GUIDE for full Program details, eligibility criteria and funding restrictions, and application instructions.

SUMMARY PAGE

Project Title: State of Minnesota Clean Diesel Program

Project Manager and Contact Information

Organization Name: Minnesota Pollution Control Agency

Project Manager: Eric David

Mailing Address: 520 Lafayette Road, St Paul, MN 55155

Phone: 651-757-2218

Fax:

Email: eric.david@state.mn.us

Project Budget Overview:

	FY 2019
EPA Base Allocation	\$322,472
State or Territory Voluntary Matching Funds (if applicable)	\$914,920 + \$296,045 = \$1,210,965
EPA Match Incentive (Bonus) (if applicable)	\$161,236
Mandatory Cost-Share	\$(depends on projects)
TOTAL Project Cost	\$1,398,628 + \$296,045 = \$1,694,673
Other Leveraged Funds	\$

Project Period

October 1, 2019 – September 30, 2021

Summary Statement

Note: In January 2020, MPCA updated its DERA FFY 2019 budget to reflect an addition of state matching funds from the VW Settlement in the amount of \$296,045 to allow two additional projects. Which will also increase the overall budget as shown above to \$1,694,673. Typically, MPCA offers a broad range of on-road and off-road diesel categories in its DERA grant program. Because the VW settlement does not allow funding of off-road construction and certain other kinds of projects that are allowed in DERA, we will be focusing MPCA's DERA program on the projects and fill the gaps left by the VW consent decree. MPCA will seek eligible projects including, but not limited to: marine engines, locomotives, nonroad engines/equipment/vehicles

used in construction, handling of cargo, agriculture, mining and energy production. These eligible projects will be upgraded via eligible diesel emission reduction solutions: engine retrofits, engine upgrades and remanufacture, cleaner fuels and additives, idle reduction technologies, aerodynamic technologies, engine replacements, vehicle replacements or clean alternative fuel conversions.

More information is at the MPCA's main Clean Diesel Web page:

www.pca.state.mn.us/cleandiesel. MPCA is using separate VW settlement funding to address diesel on-road trucks.

SCOPE OF WORK

STATE/TERRITORY GOALS AND PRIORITIES:

MPCA management continues to support diesel emissions as a high priority target in its strategic plans for air pollution reduction. Health risk modeling data shows the highest diesel emissions occur in the seven-county metro-area. In addition, urban monitor readings are near the EPA standards for both PM2.5 (fine particle pollution) and ozone. The modeling and the readings make the seven-county Twin Cities area a priority for diesel emission reduction work, though efforts are encouraged and implemented statewide.

MPCA is a founding partner in the Clean Air Minnesota (CAM) stakeholder group and are committed to environmental justice issues as it relates to air pollution and vehicle emissions.

- According to the MPCA's 2014 Emissions Inventory, used on several graphs that follow, on-road (highway), and off-road, vehicles and equipment make up 45-percent of the air pollution in Minnesota.
- State wide, on-road diesel vehicles are about 4.8% of Minnesota on-road vehicles, but are responsible for almost 7% of on-road PM 2.5 emissions.
- Off-road diesel emissions are responsible for 67% of off-road PM2.5 emissions in Minnesota.
- The last chart in this section shows the cancer risk from PM2.5, which supports our emphasis and extra criteria points for projects that operate in the Twin Cities area.

Since 2006, the MPCA Clean Diesel Grants Program has leveraged state and federal funds and collaborated with Environmental Initiative, a Clean Air Minnesota partner, on Project Green Fleet to reduce diesel emissions across the state. Among other diesel retrofit efforts, Project Green Fleet used state and private funding to retrofit all 3,108 eligible school buses in Minnesota, significantly reducing the exposure of children to harmful fine particles by 20 to 25-percent.

The combined efforts of the MPCA Clean Diesel Program and Project Green Fleet have supported approximately 4,700 engine improvements or replacements in Minnesota to help

eliminate 45 tons of PM_{2.5} pollution per year. MPCA has made big strides in upgrading diesel trucks across the state, and looking forward we will target construction, marine and rail equipment for upgrades through DERA. Diesel construction equipment can be especially old and dirty, and may often operate 16-24 hours a day sometimes near homes and businesses.

In 2017 and 2018 through DERA, MPCA has replaced 23-heavy-duty diesel engines and will add idle reduction technology to two rail switchers. MPCA is working to spread the word in hopes of attracting more off-road diesel equipment such as construction equipment, boats, and rail equipment.

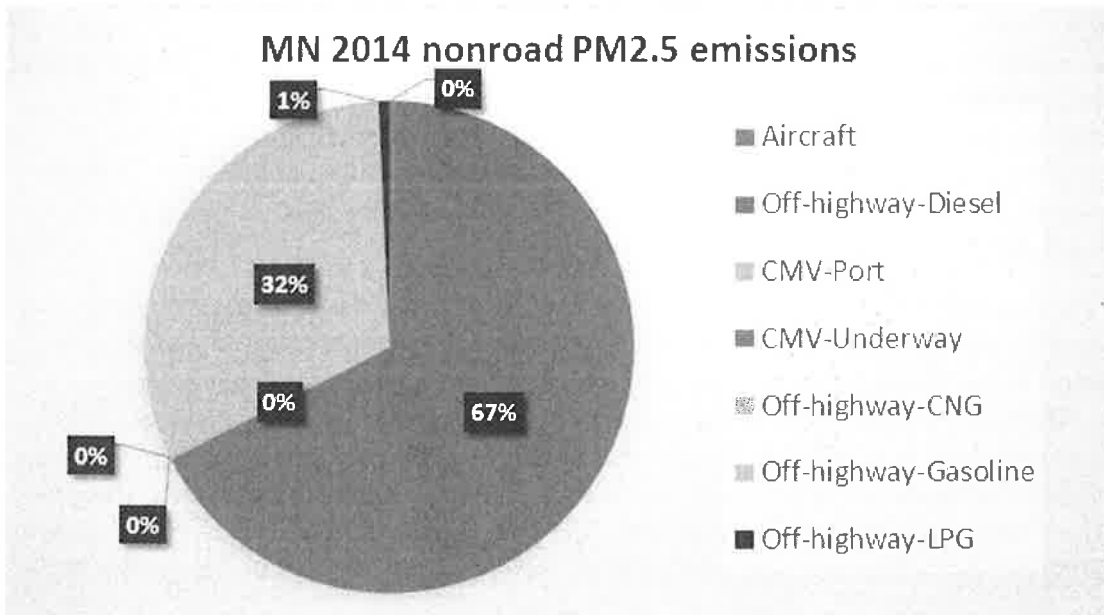
In addition, Minnesota has \$47 million from VW settlement funds to work with over the next 8-10 years that will work in concert with this DERA program.

Minnesota remains in compliance but has been close to both the PM_{2.5} and ozone standards in recent years. It is important to note that the 2014 data presented in this report are *draft* and once finalized emissions become available they may differ from current estimates. Initial estimates are recalculated based on federal economic data and other factors influencing emission sources.

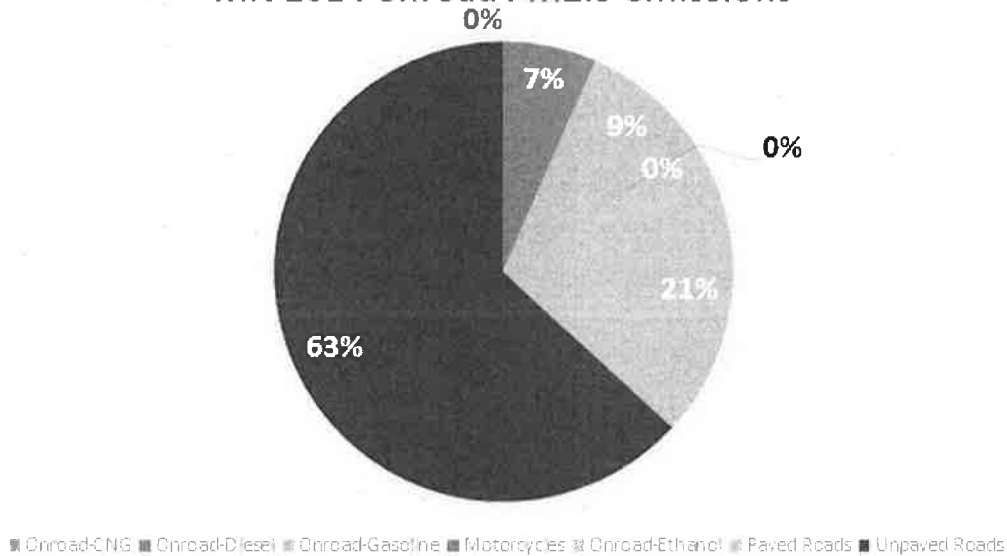
MPCA has tracked the total statewide emissions of four major criteria air pollutants from 2002 to 2016. During this time, estimated emissions of these pollutants have been reduced by almost 50-percent. While this report focuses on statewide total emissions, MPCA understands that some air pollutants are emitted disproportionately in areas of concern. MPCA is committed to addressing health and environmental inequities from mobile source pollution.

In 2014, the majority of air pollution came from smaller, widespread sources, including vehicles, small businesses and construction equipment.

The following map of Minnesota shows the levels and locations of Inhalation Cancer Risk from ALL Diesel PM_{2.5} in Minnesota with green representing low levels and orange and brown representing high levels.



MN 2014 onroad PM2.5 emissions



The chart above, shows that *on-road diesel*, despite representing just 4.8% of all on-road vehicles in Minnesota, emit nearly as much PM2.5 as all on-road gasoline vehicles (7% vs. 9%).

VEHICLES AND TECHNOLOGIES: MPCA will offer competitive sub-grant awards to projects that are not covered under the VW Consent Decree but are eligible under the criteria set out in the Program Guide.

MPCA will seek eligible projects including, but not limited to: marine engines, locomotives, nonroad engines/equipment/vehicles used in construction, handling of cargo, agriculture, mining and energy production. These eligible projects will be upgraded via eligible diesel emission reduction solutions: engine retrofits, engine upgrades and remanufacture, cleaner fuels and additives, idle reduction technologies, aerodynamic technologies, engine replacements, vehicle replacements or clean alternative fuel conversions. All replacement vehicles, engines and emission-reducing technologies must be EPA/CARB-verified.

Based on the results of the FY2018 DERA program in MN, the MPCA anticipates funding approximately anywhere from 5 – 25 projects. This number is extremely hard to predict with some projects only being a few thousand dollars to others being hundreds of thousands of dollars. Minnesota state statutes requires the use of a competitive Request for Proposal (RFP) process in the award of sub-recipient grants and contracts, so we can only roughly estimate what types of fleets, and types of technologies, and what their emission reductions may be. Thus, we cannot guarantee what fleets/projects will apply and what fleets the MPCA will select. However, we will provide this information once the process is complete and MPCA has selected the fleets.

MPCA has worked with many different sectors within both on-road and off-road vehicle types in grant-sponsored emission reduction projects since 2005.

ROLES AND RESPONSIBILITIES:

The MPCA will manage DERA funds by using sub-grants awarded through a competitive request for grant applications – open to all private and public entities in Minnesota.

All applications are screened by our Contracts unit. A team of three from our Resource Management & Assistance division scores projects that remain eligible. MPCA grant scoring has been strengthening its environmental justice emphasis and criteria along with health impacts. We will have revised criteria in these categories along with our emission cost per ton criteria. PM2.5 remains the primary pollutant, but co-benefits from reducing other criteria pollutants such as NOx and CO2 may also be utilized in scoring.

Sub-grantees work with the DERA program manager to develop a workplan/timeline and must sign a grant agreement - that outlines tasks and responsibilities for the project, as outlined below in the Timeline and Milestones section. No work can begin until the grant agreement (contract) is fully executed by both parties.

TIMELINE AND MILESTONES:

- MPCA staff works on the DERA RFP draft: June - August 2019
- MPCA launches new RFP: August 2019 with 60-90 day application period
- MPCA staff screens and scores grant applications for eligibility: November 2019
- MPCA creates a sub-grant agreement and finalizes work plans: December 2019 (The work plan has key milestone dates for specific project work.)
- Work begins as soon as the MPCA executes the grant agreement: January/February 2020

- Grants Manager writes publicity stories for awarded grants including Web page summaries and success stories: as projects are completed
- The Grants Manager works closely with each grantee: During 2020/ possibly 2021
 - The Grants Manager calls the grantee and or vendor to check on progress and help troubleshoot issues – varies by project.
 - The Grants Manager conducts site visits at the end of the grant
- Subgrantees complete projects, submit documentation of destroyed engine/vehicle, invoices, etc and are reimbursed electronically: During 2020/ possibly 2021, as projects are completed
 - We require a paid-in-full invoice signed by the vendor and prefer photos of the destroyed engines and or chassis to accompany our disbursement request form.

DERA PROGRAMMATIC PRIORITIES:

- MPCA’s Clean Diesel Program establishes sub-grant criteria that encourage programmatic priorities. For example, to encourage emission reductions in the Twin Cities, MPCA gives extra application points for fuel used in the Twin Cities area.
- MPCA also requires a minimum amount of fuel used per year per diesel engine, with a prorated point scale for larger amounts of fuel used. Both of these fuel-use criteria help give higher scores to projects that will maximize resources for emission reduction.
- MPCA plans to add DERA criteria to address environmental justice and health exposure risks.

EPA’S STRATEGIC PLAN LINKAGE AND ANTICIPATED OUTCOMES/OUTPUTS:

- **Linkages:**
 - Linkage to EPA Strategic Plan: MPCA Clean Diesel efforts continue to support Goal 1 of EPA’s 2018-22 Strategic Plan. MPCA projects funded under this program focus on reducing emissions from diesel fleets, thereby reducing local and regional air pollution.
 - MPCA Strategic Plan Goal Linked to EPA Strategic Plan: The MPCA’s Strategic Plan has four goals for air quality. It identified diesel emissions as a top priority in air pollution targets. This priority is especially for the Twin Cities seven-county metro area, which has the highest monitor readings for both PM2.5 and ozone.

- The MPCA Strategic Plan also has identified reducing GHGs from transportation as a priority.

- **Outputs:**

- All applicants for MPCA DERA grants must submit a fleet information spreadsheet that details the age, HP, fuel used per year, and other details that the MPCA can use to estimate potential diesel emission reductions using EPA's Diesel Emissions Qualifier. Therefore, all projects approved by the MPCA have measured and quantifiable emission reductions.

- **Additional MPCA Goals:**

As mentioned earlier, the MPCA and EI sponsor Clean Air Minnesota, a coalition of public and private stakeholders across the state who work to proactively reduce air pollution. From these meetings, discussions, and research, diesel emissions remains a high priority.

- CAM has regrouped, following the Clean Air Dialogues, and meets regularly to review, measure and report on air pollution reduction efforts, which Clean Diesel remains a priority.
- As mentioned, the MPCA's first diesel emission priority was to reduce health risks for children by retrofitting every eligible school bus in MN, working with its partner Environmental Initiative.
- Currently, MPCA's Clean Diesel program awards higher points for projects that operate more in the Twin Cities seven-county metro area because of the higher concentration of diesel emissions in that area and health exposure.
- With both DERA and VW settlement grants, MPCA has expanded on its environmental justice and health criteria to further support agency and EPA goals in environmental justice and community involvement.
- See page 8 of MPCA's VW Plan (<https://www.pca.state.mn.us/air/minnesotas-plan>) for details about MPCA's two-year Phase One – including \$2.3 million for School bus grant program, \$1.7 million for Heavy Duty Off-Road Program, \$4.1

million for Heavy Duty On-Road Program and \$1.7 million for Heavy Duty on-road Electric Vehicle grant program.

- In an effort to increase the impact and efficiency of DERA grants, MPCA continues to use cost per ton among its DERA scoring criteria.

- **Outputs Measuring Progress:**

- All applicants are required to submit a fleet information spreadsheet that details the age, HP, fuel used per year, and other hours or miles of operation details for each diesel-powered engine so the MPCA can estimate diesel emission reductions with the EPA Diesel Emission Quantifier.
- The MPCA will work with grantees and vendors to create a project work plan that contains a schedule that becomes part of the grant agreement contract. Typically, the MPCA will periodically check the progress on large projects every two-weeks or in advance of project milestones.
- On pp. 4-6 are a series of charts showing the PM2.5 contributed by diesel engines in Minnesota.

- **Outcomes not related to specific projects**

- Short-term outcomes: The MPCA has added and updated clean diesel-related Web pages in the last few years to complement previous Web pages. The MPCA also sends out news releases with each clean diesel RFP including emailing the news release through an expanded Air Issues and Clean Diesel interested parties list via GovDelivery, as well as through our small business newsletter. We have the following three Web pages that promote clean diesel grants:

- ❖ More information about the Clean Diesel Grants Program is at:

- <https://www.pca.state.mn.us/cleandiesel>

- ❖ Minnesota's DERA application page is at:

- <https://www.pca.state.mn.us/air/minnesota-clean-diesel-non-road-dera-grant>

- ❖ Previous DERA grantees in MN can be found at:

- <https://www.pca.state.mn.us/air/awarded-dera-grants>

The MPCA Clean Diesel Program continues to do outreach and educate various groups and businesses of its grant opportunities and the importance of diesel pollution reduction. MPCA gave nearly 20 public presentations regarding the VW settlement plan and DERA.

- The MPCA Clean Diesel-focused email subscriber list has grown from 65 seven years ago to around 1,400. For initial grant round announcements, the MPCA

combines this list with the MPCA air quality list for a combined unduplicated list of interested parties numbering around 2,100. The VW list is over 1,000.

- Medium-term outcomes. MPCA clean diesel grants, loans, and some state funding gained for school buses that leveraged these grants has reduced PM_{2.5} by 16.571 tons or the equivalent of 301,291 average cars.
 - Lately, we have been expanding our off-road grant project categories including marine projects and scrapyard/recycling equipment such as forklifts and material movers.
 - MPCA is expanding a pilot anti-tampering outreach program – much of which is diesel-related. A small outreach team is now lead by enforcement staff and supported by mobile sources staff.
 - It is important to remember that Minnesota is in attainment and therefore all actions are voluntary. Still, the CAM-MPCA message is clear that our state is extremely close to exceeding Federal air standards for both fine particles and ozone. This message is resonating with metro municipalities and counties and gaining traction with metro businesses as well. We hope to continue to build support via CAM stakeholders for emission reduction efforts beyond federal and VW grant-financed projects.
- **Long-term outcomes**
 - MPCA’s long-term outcomes include keeping the state in attainment for all EPA criteria pollutants.
 - We continue to build support through stakeholders for diesel emission reduction efforts beyond grant-financed projects.
 - Improved public health and reduced environmental inequities across the state

SUSTAINABILITY OF THE PROGRAM:

- MPCA is a member of EPA’s Ozone and PM_{2.5} Advance group because of Minnesota’s extensive nonpoint air pollution efforts, despite being in attainment.
- We expect to use VW Settlement funds for our match the next several years. With MN eligible for \$47 million in VW settlement funds available over 8-10 years we see stable funding and fruitful results. See MPCA’s VW Plan (<https://www.pca.state.mn.us/air/minnesotas-plan>)
- The MPCA publishes DERA grant projects awards on its Clean Diesel Web pages. MPCA also writes us clean diesel grant success stories and posts them on the Web.

The MPCA promotes the DERA program through direct email, news releases and in talking points of various presentations by both MPCA management and staff.

- Similar efforts will be done for the numerous other emission reduction programs previously mentioned – that are, or will be, funded by VW settlement funds.

BUDGET NARRATIVE

This section of the work plan should include a detailed itemized budget proposal (in addition to the Standard Form 424A), using the table below. Justify the expenses for each of the categories being performed within the grant/project period. Indicate which costs will be paid by the state's or territory's allocation from EPA (which would include the bonus match, if applicable) and which costs will be paid by the state's or territory's voluntary matching funds, if applicable.

Applicants must **itemize** costs related to personnel, fringe benefits, travel, equipment, supplies, contractual costs, other direct costs, indirect costs, and total costs. If the project budget includes any cost-share, mandatory or voluntary, the budget detail portion of the work plan must include a detailed description of how the applicant will obtain the cost-share and how the cost-share funding will be used.

Mandatory cost-share funds must be in the form of cash contributions to the Equipment Category. If EPA accepts an offer for a voluntary cost-share, applicants must meet their sharing commitment in order to receive EPA funding. If the proposed cost-share is to be provided by a third-party, a letter of commitment is encouraged. Any form of cost-share included in the budget detail must also be included on the SF-424 and SF-424A, with the exception of Other Leveraged Funds, which should not be included in the SF-424 or SF-424A.

Applicants should use the following instructions, budget category descriptions and example table to complete the budget detail section of the work plan. Detailed sample budgets representing

various mandatory cost-share versus state voluntary match scenarios are available at:
www.epa.gov/cleandiesel/clean-diesel-state-allocations.

Itemized Project Budget

Budget Category	EPA Allocation	Mandatory Cost-Share	Voluntary Match (if applicable)		Line Total
			VW Mitigation Trust Funds	Other Funds	
1. Personnel	\$66,428				\$66,428
2. Fringe Benefits	\$21,257				\$21,257
3. Travel					
4. Equipment					
5. Supplies					
6. Contractual	\$26,245				\$26,245
7. Other	\$344,989		\$914,920	\$296,045	\$1,555,954
8. Total Direct Charges (sum 1-7)	\$458,919		\$914,920	\$296,045	\$1,669,884
9. Indirect Charges	\$24,789				\$24,789
10. Total (Indirect + Direct)	\$483,708		\$914,920	\$296,045	\$1,694,673
11. Program Income					
12. Other Leveraged Funds*					

*Do not include Other Leveraged Funds on SF-424 or SF-424A

Explanation of Budget Framework

- **Personnel**

FY 2019		
Budget Category	EPA	State or Territory Match (if applicable)
Clean Diesel Grants Manger - Planner Principal State - Annual Salary \$66,428 * 1.0 FTE	\$66,428	
EPA Match Incentive (if applicable)		

- **Fringe Benefits**

FY 2019		
Budget Category	EPA	State or Territory Match (if applicable)
Actual Fringe Benefit calculation is 32% which includes Insurance, Retirement and FICA	\$21,257	

- **Travel** – The MPCA will not take travel funding from the MPCA or EPA DERA funding.
- **Supplies** – The MPCA will not use the DERA budget for any supplies.
- **Equipment** – The MPCA will not use the DERA budget for any equipment.
- **Contractual - Identify each proposed contract and specify its purpose and estimated cost.** There was a total of \$110,000 set aside in this budget for potential Contractual costs. This amount is budgeted as a result of the VW public forum sessions. During those sessions, the public wanted an option for a contractor to offer their services on behalf of a number of fleets to administer this work. We as an Agency heard this and have put a cap of 10% of equipment costs for contractor fees in each RFP under the VW Settlement, including the DERA RFP for EPA FY18. The actual amount requested is \$26,245.

In order to ensure fair competition and the most “bang for the buck”, if a contractor applies on behalf of fleet(s) that individual equipment/engine is evaluated including the contractor cost. Since cost-effectiveness was 45% of the evaluation score in FY18 this has a large impact.

The fee (10% of equipment cost maximum) that a contractor may collect would cover all the responsibilities for DERA- assuring vehicles/engines are scrapped appropriately, submitting timely invoices, including Certificate of Conformity, etc. The \$110k here is only an estimate based on the 10% cap and total equipment costs, since we will not know if there will be any contractual costs until the applicants and their equipment are evaluated and scored. The MPCA is being prepared if this occurs. If any part of this contractual fee is not incurred, the remainder will be shifted into equipment/project costs.

FY 2019		
Budget Category	EPA	State or Territory Match (if applicable)
Contractual	\$26,245	

- Other** – The MPCA plans on awarding \$1,555,954 in eligible equipment funding. Minnesota uses a competitive grant program, so individual projects will not be identified until evaluated and scored. MPCA will seek eligible projects including, but not limited to: marine engines, locomotives, nonroad engines/equipment/vehicles used in construction, handling of cargo, agriculture, mining and energy production. These eligible projects will be upgraded via eligible diesel emission reduction solutions: engine retrofits, engine upgrades and remanufacture, cleaner fuels and additives, idle reduction technologies, aerodynamic technologies, engine replacements, vehicle replacements or clean alternative fuel conversions.

FY 2019		
Budget Category	EPA	State or Territory Match (if applicable)
Other: Subaward	\$344,989	\$1,210,965

- Indirect Charges** The MPCA uses the federally approved indirect rate of 28.27% applied to both salary and fringe rates. Only actual approved rates for each fiscal year will be assessed. The MPCA will not take indirect charges from the MPCA funding. Indirect amount for

Voluntary Match will be covered by Administrative monies from VW settlement.

FY 2019		
Budget Category	EPA	State or Territory Match (if applicable)
Indirect Charges calculation is 28.27% of Personnel and Fringe which is the federal negotiated indirect cost rate.	\$24,789	

- **Administrative Costs Expense Cap-** MPCA will not exceed the 15% administration cap.
- **Matching Funds and Cost-Share Funds**
 - State matching / overmatching funds of \$1,210,965 will come from Minnesota's VW settlement funding of approximately \$47 million.
 - Mandatory cost share funds for projects will come from grantees.

Funding Partnerships

- The MPCA has utilized subawards in the past but would be open to providing participant supports costs depending on the projects that will be awarded.

Other Leveraged Funds

- The MPCA does not intend to include other leveraged funds or rebate costs at this time. However, if other leveraged funds do become available we would certainly be willing to entertain ideas on extending the effectiveness of funding.

From: [David, Eric \(MPCA\)](#)
To: [Gibbs, Peggy \(MPCA\)](#)
Subject: FW: Checking in
Date: Wednesday, January 29, 2020 12:34:38 PM

From: Lacka, Monika <lacka.monika@epa.gov>
Sent: Thursday, January 23, 2020 4:48 PM
To: David, Eric (MPCA) <eric.david@state.mn.us>
Subject: RE: Checking in

Hi Eric,

The numbers looked good to me, and I sent your request up to our assistance section for processing. Please note that once the projects are completed the mandatory match will also need to be reflected on the award.

Thank you,

Monika Lacka, Life Scientist

State and Tribal Planning Section, ARD
U.S. Environmental Protection Agency, Region 5
77 W. Jackson Blvd. 18-J, 18117
Chicago, Illinois 60604-3590
Phone: 312-353-6556, Fax: 312-408-2258, E-mail: lacka.monika@epa.gov

From: David, Eric (MPCA) <eric.david@state.mn.us>
Sent: Thursday, January 23, 2020 7:31 AM
To: Lacka, Monika <lacka.monika@epa.gov>
Subject: RE: Checking in

Hi Monika,

I think for some reason this email never went through. Just checking in to make sure you took a look at the budget and all is good. Thanks

Eric

From: David, Eric (MPCA)
Sent: Tuesday, January 21, 2020 3:48 PM
To: Lacka, Monika <lacka.monika@epa.gov>
Subject: RE: Checking in

One last question: did you have the chance to review the budget to make sure it's all set? I did not have much time to review this before being out but if it looks good to you then we are set. Thanks!

From: Lacka, Monika <lacka.monika@epa.gov>

Sent: Tuesday, January 21, 2020 3:40 PM

To: David, Eric (MPCA) <eric.david@state.mn.us>; Maietta, Anthony <maietta.anthony@epa.gov>

Subject: RE: Checking in

Hi Eric,

You are good to go. I will start processing your documents this week.

Thanks,

Monika Lacka, Life Scientist

State and Tribal Planning Section, ARD

U.S. Environmental Protection Agency; Region 5

77 W. Jackson Blvd. 18-J, 18117

Chicago, Illinois 60604-3590

Phone: 312-353-6556, Fax: 312-408-2258, E-mail: lacka.monika@epa.gov

From: David, Eric (MPCA) <eric.david@state.mn.us>

Sent: Tuesday, January 21, 2020 3:39 PM

To: Lacka, Monika <lacka.monika@epa.gov>; Maietta, Anthony <maietta.anthony@epa.gov>

Subject: Checking in

Hi Monika and Tony,

Just trying to get caught up from being out the past 2 weeks. I think Colleen and/or Mark submitted our updated material for the FFY19 funding, correct? I think you mentioned before we can move forward with awarding these grants but I just wanted to make sure you guys have everything from us so we can send those approval emails. Thanks!

Eric David

State Program Administrator

Minnesota Pollution Control Agency

651-757-2218

eric.david@state.mn.us

Partnering with Minnesota businesses to increase sustainability and reduce regulatory obligations.

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Minnesota's Plan

Minnesota's Beneficiary Mitigation Plan for submission to the Wilmington Trust of Wilmington, Delaware as required by the Environmental Mitigation Trust Agreement for State Beneficiaries as part of the Volkswagen Environmental Settlement.

Introduction

Volkswagen's tampered diesel vehicles have emitted an estimated 600 tons of excess air pollution in Minnesota. The Minnesota Pollution Control Agency (MPCA) is committed to ensuring that Minnesota's funding from the Volkswagen settlement – \$47 million over 10 years – is used to improve air quality in our state, especially for those most vulnerable to its effects. Our goals are to mitigate the pollution from VW vehicles and reduce air pollution emissions, while moving Minnesota towards a cleaner transportation future.

Purpose

This document is Minnesota's Beneficiary Mitigation Plan, a required step in the federal court settlement. To use settlement funds, states must specify how they plan to spend them in a plan submitted to the Trustee managing the funds for states. The federal settlement specifies the project types on which states can spend funds. However, within that structure, we can prioritize projects and initiatives that make the most sense for Minnesotans and reflect our state's priorities and goals. The plan must include:

- Minnesota's goals for the funds
- The types of vehicles and equipment Minnesota plans to replace with the funds
- How Minnesota will use the funds to benefit communities disproportionately impacted by air pollution
- Estimates of the emissions reductions that Minnesota expects to achieve with these funds

This document our plan for these funds, focusing on overall goals for the 10 years of the program and projected investments for the first two years (2018-2019). The MPCA intends to seek further input and revise the plan after the first two years of the program.

Goals and targets

The MPCA solicited input from Minnesotans across the state on how the VW settlement funds should be spent, and used the feedback to set goals for the funds to guide us over the 10 years of the program. The MPCA will use the funds to achieve significant emissions reductions across the state, especially in areas that have been most impacted by vehicle pollution. Based on the number of violating VW vehicles registered in different parts of the state, we plan to target investing 60% of the settlement funds in the Twin Cities metropolitan area and 40% in Greater Minnesota. We will also maximize emissions reductions in areas disproportionately impacted by air pollution, both in the Twin Cities and across the state. We will prioritize bringing health benefits to Minnesotans by reducing their exposures to vehicle-related air pollution. We will balance these priorities with cost-effective management of the funds. (To learn more about Minnesota's goals and targets for its settlement funds, see page 13.)

EXCERPT

Grant program plan

The federal Volkswagen settlement outlines 10 specific activities on which states can use settlement funds. Most of these allowable projects involve replacing old heavy-duty diesel vehicles or equipment with new, cleaner vehicles or equipment. The new vehicles can use diesel or alternative fuels such as propane, compressed natural gas, or electricity. The old vehicles must be destroyed. States can also spend up to 15% of their settlement funds on electric vehicle charging stations. (See Appendix 1 for a summary of the settlement and Appendix 9 for the settlement language describing the types of vehicles and equipment replacements that can be funded.)

Using the input of Minnesotans, the analysis of project benefits, and MPCA staff expertise, the agency has developed this plan for the first phase of funding (2018-2019) from Minnesota’s \$47 million allocation from the VW settlement. (See Appendix 4 for details of the input we have received through our engagement process and Appendix 5 for a summary of input we received on our draft plan.) All funds must be spent or committed to projects by October 2, 2027.

Phased funding

Minnesota’s \$47 million allocation will be invested over three phases. The phased plan will allow the agency to:

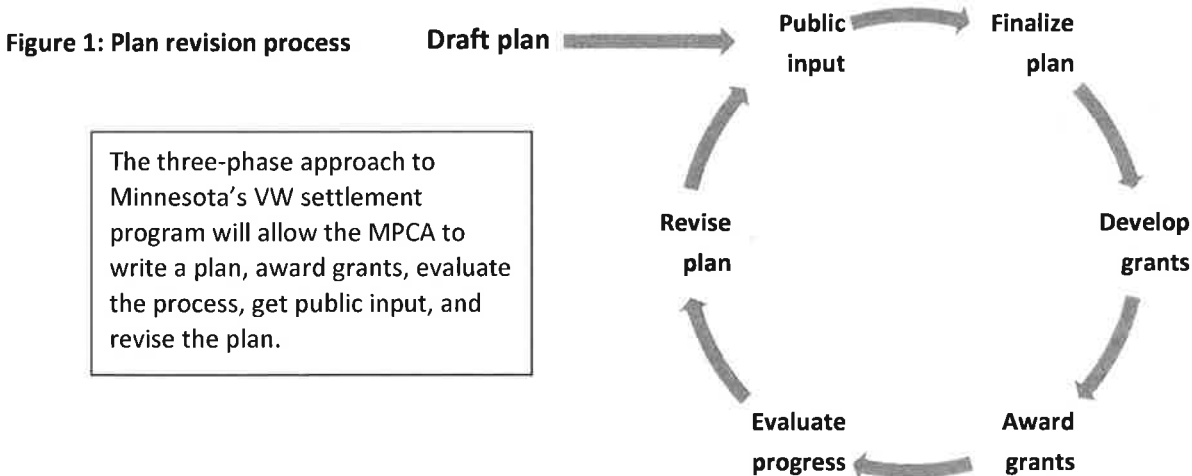
- Build in transparency and involve the public in reviewing and revising the plan between phases
- Learn which projects work best in Minnesota, and modify our requests for proposals in subsequent phases to focus the most effective projects
- Identify areas in need of additional assistance as we seek out proposals
- Track constantly changing vehicle technology and invest in the most effective at the time

The first phase of funding will be a first step in achieving our 10-year goals for the program. The three phases of funding are:

Phase 1: \$11.75 million (25% of overall funds) – 2018-2019 – Smaller amount of money to learn and ramp up. Phase 1 is the period addressed in this plan. We will solicit input and review and revise the plan after Phase 1.

Phase 2: \$23.5 million (50% of overall funds) – 2020-2023 – Most of the funds will be spent during this period. We will develop the spending plan for Phase 2 after further public input. We will solicit input on spending priorities for Phase 3 and review and revise the plan after Phase 2.

Phase 3: \$11.75 million (25% of overall funds) – 2024-2027 – Remaining funds allocated.

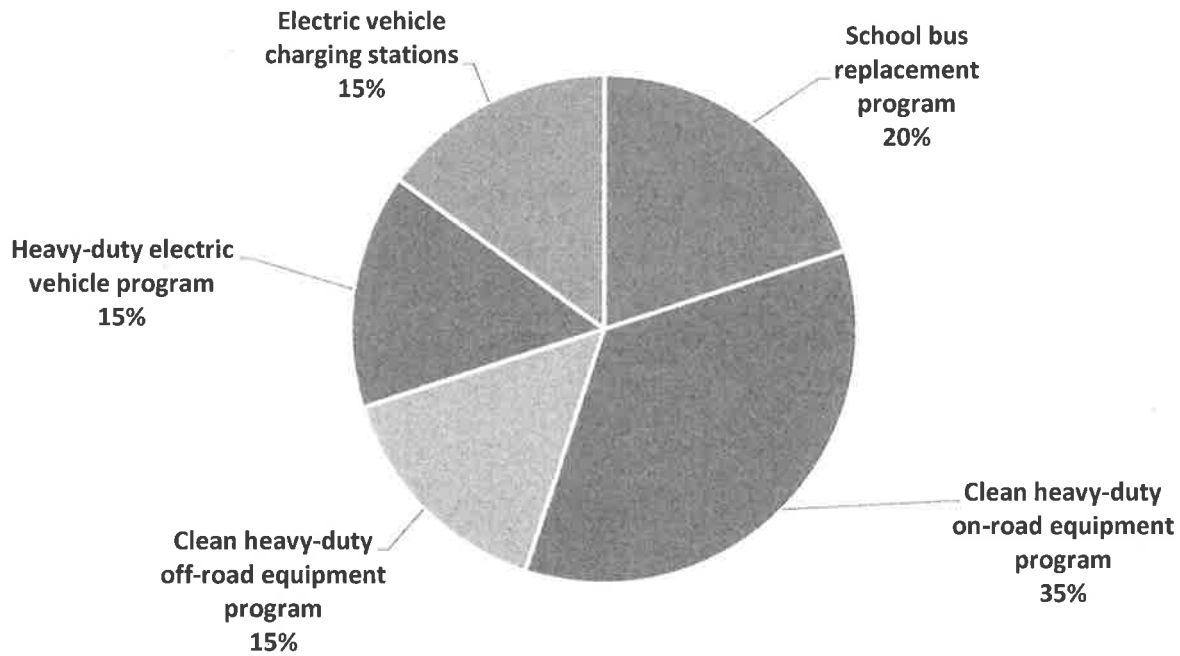


EXCERPT

Phase 1 of grants (2018-2019)

During the initial 2018-2019 period, the MPCA will allocate 25% of Minnesota's overall funding, or \$11.75 million. The state's ability to fund projects in each category at the target levels will depend on the applications received and interest by vehicle and equipment owners. The exact percentages may shift with demand. Table 1 reflects our preferred investment scenario, but if we do not receive sufficient applications in a category, the MPCA would shift funds between programs in Phase 1 or move funds into the next funding phase (2020-2023).

Figure 2: Grant program funding allocations (2018-2019, Phase 1)



EXCERPT

Table 1: Summary of grant programs for 2018-2019 (Phase 1)

Grant program (2018-2019)	Settlement category	Eligible fuels	2018-2019 grants (Phase 1)			
			Targeted percent*	Targeted dollar amount	Approx. number purchased**	Estimated emissions reductions (tons)***
School bus replacement program	School buses	All (diesel, propane, natural gas, electric)	20%	\$2,350,000	127	NO _x : 23-28 PM _{2.5} : 1.0-1.7 GHGs: 292-585
Clean heavy-duty on-road vehicles program	Transit buses, class 4-8 trucks	All (diesel, propane, natural gas, electric)	35%	\$4,112,500	137	NO _x : 494-564 PM _{2.5} : 17-34 GHGs: 12,543-23,160
Clean heavy-duty off-road equipment program	Switcher locomotives, ferries, tugs, port cargo handling equipment, ocean-going vessel shore power, Diesel Emission Reduction Act (DERA)	All (diesel, propane, natural gas, electric)	15%	\$1,762,500	12	NO _x : 619 PM _{2.5} : 23 GHGs: 1,866
Heavy-duty electric vehicle program	School buses, transit buses, trucks, airport ground support equipment, forklifts	Electric	15%	\$1,762,500	14	NO _x : 15-16 PM _{2.5} : 0.5-1.0 GHGs: 1,855-4,508
Electric vehicle charging station program	Zero-emission vehicle infrastructure	Not applicable	15%	\$1,762,500	Fast chargers: 20 Level-2 chargers: 45	NO _x : 1.1 PM _{2.5} : 0.05 GHGs: 4,632
	Total:			\$11,750,000		NO_x: 1,152-1,228 PM_{2.5}: 41-60 GHGs: 21,188-34,751

*Percentage of available settlement funds targeted at these activities for 2018-2019.

**Each category includes an estimated mix of eligible vehicles and equipment types. These estimates provide an idea of how many vehicles of each type could be funded in Phase 1 in order to make emissions calculations, but do not reflect a preference for any vehicle or fuel type or funding targets or allocations within each grant program. (See Appendix 7 for methods.)

***Emission benefits for projects funded in Phase 1 compared to emissions expected if the old vehicles were to continue to operate for their remaining useful life. Calculated for nitrogen oxides (NO_x), fine particles (PM_{2.5}), and greenhouse gases (GHGs). NO_x and PM_{2.5} emissions are calculated for tailpipe emissions only. GHG emissions benefits are calculated from well to wheel. (See Appendix 7 for calculation methods.)

EXCERPT

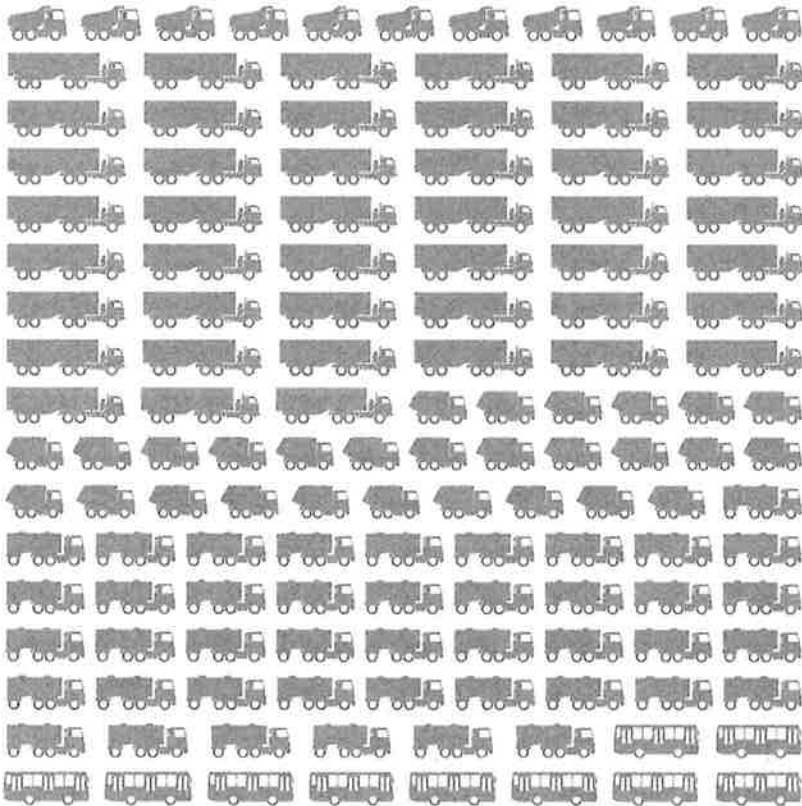
Figure 3: Grants from Phase 1 will replace hundreds of vehicles across the state.

Out with the old: \$11,750,000 for new clean vehicles

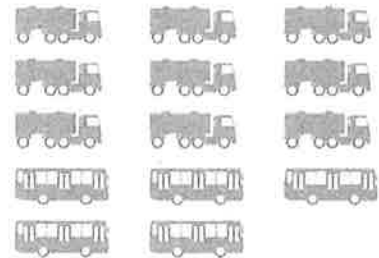
127 school buses



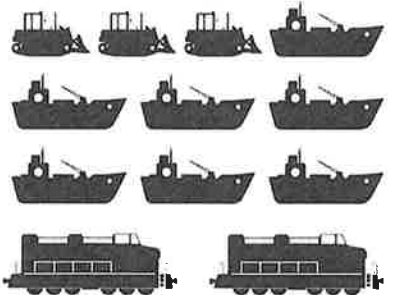
137 trucks and transit buses



14 heavy-duty electric



12 heavy-duty off-road



Plus: 65 new electric vehicle charging stations



EXCERPT

Funding process

Projects will be funded through a competitive grant application process. The MPCA will develop a set of criteria for scoring projects and selecting those that best align with the plan goals.

In most cases, the settlement requires that most of the funds for vehicle and equipment replacement be provided by equipment owners; the smaller portion of the total cost of the new vehicle will be covered by VW settlement funds (see next section for allowable matches). Eligible applicants are people and organizations who either own heavy-duty diesel vehicles and equipment or install electric vehicle charging infrastructure. Applicants may include, but are not limited to, local governments, school districts, state government agencies, metropolitan planning organizations, transit authorities, tribes, private businesses, and non-profit organizations. Vehicle owners can also work with third parties to submit aggregated applications for multiple vehicles owned by different organizations.

Selected applicants will receive their funding as a reimbursement after their new equipment has been delivered and the MPCA has received confirmation that their old equipment has been destroyed. VW funds cannot be used for vehicles, engines, or electric vehicle charging stations that are purchased before a grant agreement is signed between the owner and the MPCA.

Phase 1 Grant programs

Below are descriptions of the five grant programs the MPCA will administer during Phase 1.

School bus grant program – 20% (\$2,350,000)

Estimated emissions reductions: nitrogen oxides (NO_x): 23-28 tons; fine particles (PM_{2.5}): 1.0-1.7 tons; greenhouse gases (GHGs): 292-585 tons

This program will provide grants for the replacement of school buses up to \$15,000 each, or \$20,000 each for operators serving school districts where 40% of students are eligible for free or reduced-cost lunch. The MPCA will provide a list of districts eligible for additional funding.

Eligibility: All Minnesota school bus operators, both public and private. Groups of vehicle owners may work with third parties to submit aggregated applications. All fuel types, including diesel, propane, natural gas, and electric. Gasoline vehicles are not eligible for funding under the terms of the national settlement.

Why school buses? During the MPCA public engagement effort, a main theme was prioritizing projects that reduce pollution exposures for children and replacing aging school buses. Minnesota previously invested more than \$3 million in Project Green Fleet, retrofitting 3,500 diesel school buses with diesel oxidation catalysts, which reduced fine particle emissions by 20% on buses model years 2006 and older. But replacing even those buses with new ones now would provide a 95% reduction in emissions.

After receiving feedback from fleet owners, school districts, and school bus vendors on Minnesota's draft plan, we believe a \$15,000 grant would be enough incentive to replace outdated school buses. A \$15,000 grant level will allow Minnesota to replace a large number of buses and bring benefits to many school districts and children across the state. The \$15,000/\$20,000 grant amounts also improve the cost-effectiveness of these replacements (see Appendix 6 for more data on cost effectiveness).

Clean heavy-duty on-road vehicles grant program – 35% (\$4,112,500)

Estimated emissions reductions: NO_x: 494-564 tons; PM_{2.5}: 17-34 tons; GHGs 12,543-23,160 tons

This program will fund the replacement of transit buses and large and medium-sized (class 4-8) trucks up to \$40,000, or 25% of the overall cost of the vehicle, whichever is less. The funding cap reflects that vehicles in this category vary greatly in size and cost, from step vans to garbage trucks, and aligns with caps the MPCA has used for Minnesota's Diesel Emission Reduction Act program for many years.