

**APPENDIX D-4**  
**Beneficiary Eligible Mitigation Action Certification**  
**Minnesota Phase 2 School Bus 3 Grant Program**

## BENEFICIARY ELIGIBLE MITIGATION ACTION CERTIFICATION

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Beneficiary \_\_\_\_\_

Lead Agency Authorized to Act on Behalf of the Beneficiary \_\_\_\_\_  
*(Any authorized person with delegation of such authority to direct the Trustee delivered to the Trustee pursuant to a Delegation of Authority and Certificate of Incumbency)*

<b>Action Title:</b>	
<b>Beneficiary's Project ID:</b>	
<b>Funding Request No.</b>	<i>(sequential)</i>
<b>Request Type:</b> (select one or more)	<input type="checkbox"/> Reimbursement <span style="margin-left: 150px;"><input type="checkbox"/> Advance</span> <input type="checkbox"/> Other (specify): _____
<b>Payment to be made to:</b> (select one or more)	<input type="checkbox"/> Beneficiary <input type="checkbox"/> Other (specify): _____
<b>Funding Request &amp; Direction (Attachment A)</b>	<input type="checkbox"/> Attached to this Certification <input type="checkbox"/> To be Provided Separately

### SUMMARY

<b>Eligible Mitigation Action</b>	<input type="checkbox"/> Appendix D-2 item (specify): _____
<b>Action Type</b>	<input type="checkbox"/> Item 10 - DERA Option (5.2.12) (specify and attach DERA Proposal): _____
<b>Explanation of how funding request fits into Beneficiary's Mitigation Plan (5.2.1):</b>	
<b>Detailed Description of Mitigation Action Item Including Community and Air Quality Benefits (5.2.2):</b>	
<b>Estimate of Anticipated NOx Reductions (5.2.3):</b>	
<b>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):</b>	
<b>Describe how the Beneficiary will make documentation publicly available (5.2.7.2).</b>	
<b>Describe any cost share requirement to be placed on each NOx source proposed to be mitigated (5.2.8).</b>	
<b>Describe how the Beneficiary complied with subparagraph 4.2.8, related to notice to U.S. Government Agencies (5.2.9).</b>	

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).

**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.]

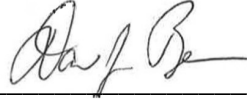
**CERTIFICATIONS**

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

1. This application is submitted on behalf of Beneficiary \_\_\_\_\_, 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:** \_\_\_\_\_



\_\_\_\_\_  
**David J. Benke**  
**Division Director**

\_\_\_\_\_  
**[LEAD AGENCY]**

**for**

\_\_\_\_\_  
**[BENEFICIARY]**

**ATTACHMENT B**  
 Minnesota Funding Application 17 – Phase 2 MN School Bus 3 Grant Program  
**PROJECT MANAGEMENT PLAN**  
**PROJECT SCHEDULE AND MILESTONES**

Milestone	Date
Request for Proposals announced (Phase 2 MN School Bus 3 Replacement)	July 27,2021
Request for Proposal Closing – Application Deadline	September 10 ,2021
MPCA selects potential grant recipients from eligible application pool	November 2021
MPCA submits Funding Request to Trustee – Appendix D-4: Beneficiary Eligible Mitigation Action Certification including Attachments	November 2021
Trustee Acknowledges Receipt of Funding Request	Receipt from Trustee
Trustee Allocates Share of State Funds	Transfer date
Grant agreements signed with selected entities	CY 2022, Q1
Grantee provides proof of destruction, invoices and other documents required for reimbursement	CY 2021, Q2 – CY 2023, Q2
MPCA reviews, requests corrections if necessary, certifies project completion, and provides reimbursement	CY 2021, Q2 – CY 2023, Q4
MPCA Reports to the Trustee on the status of and expenditures with Mitigation Actions completed and underway.	Within 6 months of first disbursement: January 30 and July 30 thereafter

Budget Category	Total Project Budget	Share of Total Budget to be Funded by the Trust	Cost-Share, paid by bus owners
1. Equipment Expenditure	\$8,956,015	\$1,600,200	\$7,355,815
2. Contractor Support (Provide List of Approved Contractors as Attachment with approved funding ceilings)	\$0	\$0	\$0
3. Sub recipient Support	\$0	\$0	\$0
4. Administrative <sup>1</sup>	\$177,800	\$177,800	\$0
<b>Project Totals</b>	<b>\$9,133,815</b>	<b>\$1,778,000</b>	<b>\$7,355,815</b>
<b>Percentage</b>	<b>100%</b>	<b>19.5%</b>	<b>80.5%</b>

**PROJECT BUDGET**

<sup>1</sup> Subject to Appendix D-2 15% administrative cap

## PROJECTED TRUST ALLOCATIONS

	2018	2019	2020	2021
1. Anticipated Annual Project Funding Request to be paid through the Trust				\$1,778,000
2. Anticipated Annual Cost Share				\$7,355,815
3. Anticipated Total Project Funding by Year (line 1 plus line 2)				\$9,133,815
4. Cumulative Trustee Payments Made to Date Against Cumulative Approved Beneficiary Allocation	\$2,350,000	\$7,401,110	\$1,871,242	\$6,664,286
5. Current Outstanding Trustee Payments Made to Date Against Cumulative Approved Beneficiary Allocation				
6. Current Beneficiary Project Funding to be paid through the Trust (line 1)				\$1,778,000
7. Total Funding Approved (plus pending) for Beneficiary Eligible Mitigation Actions, inclusive of Current Action (sum of line 4, 5 and 6)	\$2,350,000	\$7,401,110	\$7,401,110	\$8,442,286
8. Beneficiary Share of Estimated Funds Remaining in Trust (Market Value of last statement date from Online Portfolio)	\$47,133,334	\$38,437,993	\$38,812,777	\$31,187,040
9. Net Beneficiary Funds Remaining in Trust, net of cumulative Beneficiary Funding Actions (line 8 minus lines 5 and 6)	\$44,864,077	\$38,437,993	\$36,941,535	\$29,409,040

**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](http://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](http://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

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

The total number and average cost for buses to be funded with this grant are listed below.

New Bus Fuel Type	Number of Buses	Average New Bus Cost	Total New Bus Cost
Diesel	66	\$96,500	\$6,369,015
Propane	26	\$99,500	\$2,587,000
Grand Totals	92	\$97,348	\$8,956,015

Minnesota will only be funding \$15,000 or \$20,000 of the cost for each new bus. While these individual costs do not exceed the \$25,000 expenditure limit, the overall project cost of \$1,778,000 does.



# Appendix D-4– Supplemental Information

## Beneficiary Eligible Mitigation Action Certification

**Beneficiary:** Minnesota

**Lead Agency:** Minnesota Pollution Control Agency

**In support of funding request no. 17**

**MN Phase 2 School Bus 3 Replacement Project Funding Request**

### Appendix D4 - Summary

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

A detailed description of this project is described on pages 10-17 of Minnesota’s Beneficiary Mitigation Plan (see attached excerpt). This funding request will support the School Bus program described on page 11.

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

This bus replacement project will permanently remove from service 92 1992-2009 model year diesel school buses, and replace them with new, 2021 - 2022 model year diesel and propane school buses. This program will provide \$15,000 or \$20,000 grants for the replacement of diesel school buses.

We anticipate more than 40% of these projects will be located in areas disproportionately impacted by air pollution.

This school bus replacement grant is designed to reduce diesel exhaust exposure to young people who are particularly vulnerable to the health effects from diesel pollution. Due to higher respiration rates and continuing lung development in young people, particulate and nitrogen oxide pollution detrimentally affects lung function, development and growth.

The Minnesota Pollution Control Agency anticipates the following emissions reductions as a result of this school bus replacement project:

Pollutant	NOx	PM 2.5	GHG
Lifetime Tons of Pollution Reduced	57.8	2.4	4,014

#### **Estimate of Anticipated NOx Reductions (5.2.3):**

Lifetime NOx reductions will be 57.8 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](http://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):**

This program is a specific grant for each eligible bus being replaced. The grant amount is either \$15,000 or \$20,000. Each bus owner is responsible for funding the remainder of the replacement cost for each bus. Our overall grant amount is approximately 20% of the cost of the new buses, according to the bus cost estimate included in the grant applications.

**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.

# 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 (VW) 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 air pollution. Our goals are to mitigate the pollution from VW vehicles and reduce air pollution while moving Minnesota towards a cleaner transportation future.

## Purpose

This document outlines Phase 2 of Minnesota's Beneficiary Mitigation Plan, a required step in the federal court settlement. To use settlement funds, states must specify how they propose 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 plan for Phase 2 describes our continued focus on the 10-year goals for the program and our projected investments for the next four years (2020-2023). MPCA intends to repeat this public input and plan revision process in 2023, as we conclude Phase 2 and begin our anticipated final Phase 3.

## Goals

Prior to Phase 1, MPCA solicited input from Minnesotans across the state to develop the long-term goals that would guide us over the 10 years of the program, and to inform our plan for spending the VW settlement funds. In 2019, MPCA again solicited input from Minnesotans on how the VW settlement funds should be spent and whether our goals for the VW settlement program should change.

Based on this recent feedback, MPCA will continue to use VW settlement 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 will continue to target 60% of the settlement funds in the Twin Cities metropolitan area and 40% in Greater Minnesota. We will continue to maximize emissions reductions in areas disproportionately impacted by air pollution across the state. We will continue to prioritize bringing health benefits to Minnesotans by reducing their exposures to vehicle-related air pollution and to balance these priorities with cost-effective management of the funds.

# Grant program plan

The federal settlement outlines 10 specific activities on which states can use settlement funds. Most of the allowable projects involve replacing older 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, electricity, or hydrogen fuel cells. To ensure effective replacement, the old engine, and in most cases the entire vehicle, must be destroyed. States can also spend up to 15% of their settlement funds on electric vehicle (EV) charging stations. See Appendix 2 for a summary of the Volkswagen settlement, and Appendix 10 for the precise descriptions of the types of vehicles and equipment replacements that can be funded under the terms of the settlement.

Using the input of Minnesotans, analysis of Phase 1 project benefits, and staff expertise, MPCA developed this plan for the second phase of funding (2020-2023) from Minnesota’s \$47 million allocation from the VW settlement. All funds for the entire settlement must be spent or committed to projects by October 2, 2027. See Appendix 1 for detailed results from Phase 1, and Appendix 5 for input received during our public engagement.

## Phased funding

Minnesota’s \$47 million allocation will be invested over three phases. This phased approach allows 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 technology available

The three phases of funding are:

**Phase 1: \$11.75 million (25% of overall funds) –**

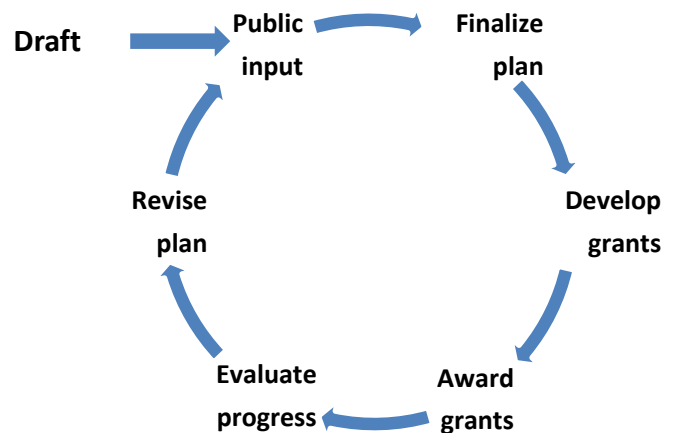
**2018-2019:** Smaller amount of money to learn and ramp up. We solicited input and reviewed program results after Phase 1.

**Phase 2: \$23.5 million (50%) – 2020-2023:** Most of the funds will be spent during this phase, covered in this plan document. We developed the plan for Phase 2 after Phase 1 program review and public engagement. We will repeat this public input and plan revision process in 2023, as we conclude Phase 2.

**Phase 3: \$11.75 million (25%) – 2024-2027:**

Remaining funds, including additional interest earned over the course of the program, will be allocated.

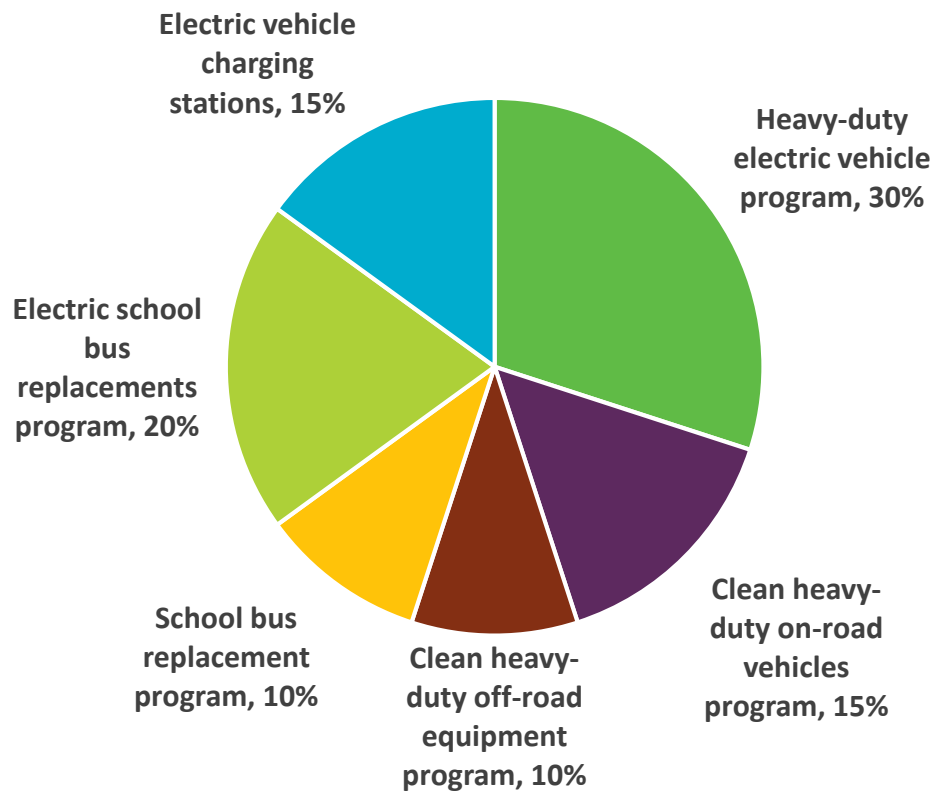
Figure 1: Plan revision process



## Phase 2 grants overview

In Phase 2 (2020-2023), MPCA will invest 50% of Minnesota’s funding, or \$23.5 million through six grant program areas. If additional funds from interest earned over the course of the program become available, they may be added to this total. Table 2 reflects our preferred investment scenario. Our ability to fund projects in each category at the target levels will depend on the applications received and interest by vehicle and equipment owners. If we do not receive sufficient applications in a given category, we may shift funds between grant programs in Phase 2, or move funds into the next funding phase (2024-2027). We may also release additional request for proposals where necessary.

**Figure 2: Phase 2 grant program funding allocations**



# EXCERPT

**Table 2: Phase 2 grant programs and estimated emissions reductions**

Grant programs (2020-2023)	Settlement category	Eligible fuels	2020-2023 grants (Phase 2)			
			Targeted percent*	Targeted dollar amount	Approx. number purchased**	Estimated emissions reductions (tons)***
<b>Clean heavy-duty on-road vehicles program</b>	Transit buses, class 4-8 trucks	Diesel, propane, natural gas	15%	\$3,525,000	80	NO <sub>x</sub> : 142-187 PM <sub>2.5</sub> : 6-9 GHGs: 4,467-9,616
<b>Clean heavy-duty off-road equipment program</b>	Switcher locomotives, ferries, tugs, port cargo handling equipment, ocean-going vessel shore power, Diesel Emission Reduction Act (DERA)	Diesel, propane, natural gas, electric	10%	\$2,350,000	39	NO <sub>x</sub> : 3,707-6,368 PM <sub>2.5</sub> : 132-385 GHGs: 22,292-31,567
<b>School bus replacement program</b>	School buses	Diesel, propane, natural gas	10%	\$2,350,000	106	NO <sub>x</sub> : 26-30 PM <sub>2.5</sub> : 1.8-2.2 GHGs: 1,985-2,643
<b>Electric school bus replacement program</b>	School buses	Electric	20%	\$4,700,000	14-27	NO <sub>x</sub> : 4-10 PM <sub>2.5</sub> : 0.2-0.5 GHGs: 554-1405
<b>Heavy-duty electric vehicle program</b>	Transit buses, trucks, airport ground support equipment, forklifts	Electric	30%	\$7,050,000	64	NO <sub>x</sub> : 229-378 PM <sub>2.5</sub> : 5-47 GHGs: 24,427-39,268
<b>Electric vehicle charging station program</b>	Zero-emission vehicle infrastructure	Not applicable	15%	\$3,525,000	Fast chargers: 43 Level-2 charging ports: 104	NO <sub>x</sub> : 2.41 PM <sub>2.5</sub> : 0.1 GHGs: 10,349
<b>Total: \$23,500,000</b>						<b>NO<sub>x</sub>: 4,110-6,975</b> <b>PM<sub>2.5</sub>: 145-444</b> <b>GHGs: 64,074-94,848</b>

\*Percentage of available settlement funds targeted at these activities for 2020-2023.

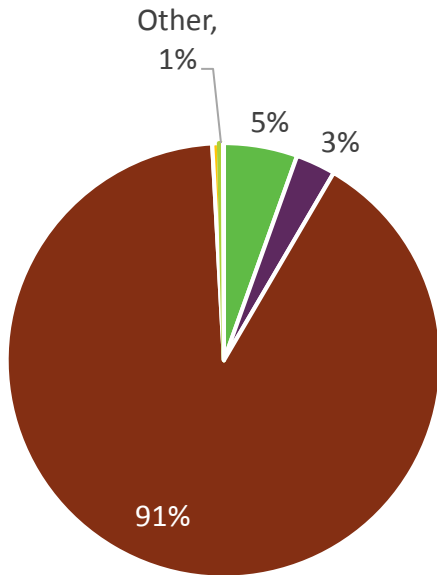
\*\*Each category includes an estimated mix of eligible vehicles and equipment types. These estimates provide an idea of how many vehicles of each type could be funded in Phase 2 in order to make emissions calculations, but do not reflect a preference for any vehicle or fuel type or funding targets or allocations within each grant program. See Appendix 8 for calculation methods.

\*\*\*Emission benefits for projects funded in Phase 2 compared to emissions expected if the old vehicles were to continue to operate for their remaining useful life. Calculated for nitrogen oxides (NO<sub>x</sub>), fine particles (PM<sub>2.5</sub>), and greenhouse gases (GHGs). NO<sub>x</sub> and PM<sub>2.5</sub> emissions are calculated for tailpipe emissions only. GHG emissions benefits are calculated from well to wheel. See Appendix 8 for calculation methods.

# EXCERPT

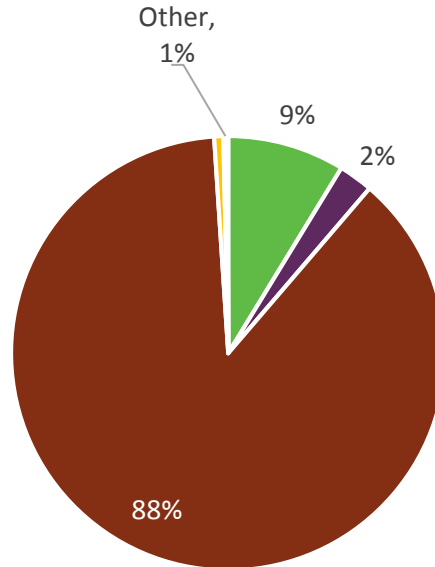
Figure 3: Phase 2 estimated reductions by grant program (percent of total)

**Phase 2 estimated NO<sub>x</sub> reductions:  
4,110 - 6,975 tons**



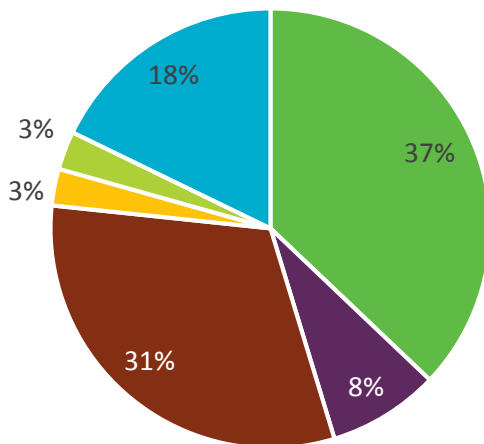
*Other (NO<sub>x</sub> reductions):*  
 School bus replacements, 0.5%  
 Electric school bus replacements, 0.3%  
 Electric vehicles charging stations, 0.1%

**Phase 2 estimated PM<sub>2.5</sub> reductions: 145 - 444 tons**



*Other (PM<sub>2.5</sub> reductions):*  
 School bus replacements, 0.7%  
 Electric school bus replacements, 0.3%  
 Electric vehicle charging stations, 0.1%

**Phase 2 estimated GHG reductions:  
64,074 - 94,848 tons**



**Grant program**

- Heavy-duty electric vehicles/equipment
- Clean heavy-duty on-road vehicles
- Clean heavy-duty off-road vehicles
- School bus replacements
- Electric school bus replacements
- Electric vehicle charging stations

# EXCERPT

Figure 4: Phase 2 grants will replace hundreds of vehicles across the state

## Out with the old: \$23,500,000 for new clean vehicles

159 school buses    106 new diesel, propane, or natural gas



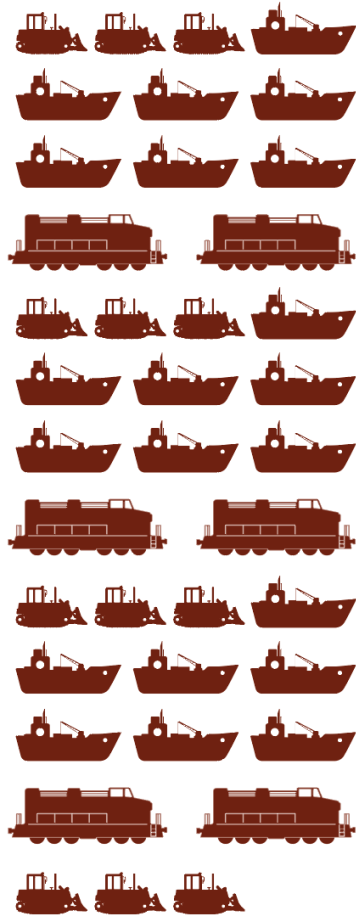
14 electric



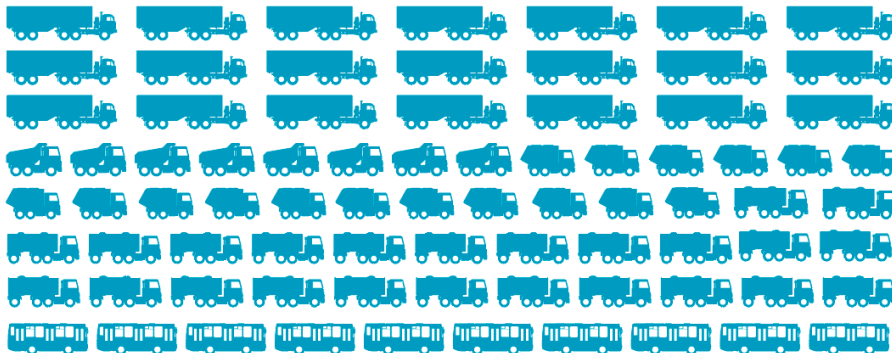
64 heavy-duty electric



39 heavy-duty off-road



80 trucks and transit buses



147 new electric vehicle charging spots

43 fast chargers    104 level 2 chargers





## Funding process

Projects will be funded through a competitive grant application process. MPCA has developed a set of criteria for scoring projects and selecting those that best align with the program goals. The agency will continue to adapt and improve these criteria throughout Phase 2.

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 EV charging infrastructure. Applicants may include, but are not limited to, local governments, tribes, school districts, state government agencies, metropolitan planning organizations, transit authorities, private businesses, and non-profit organizations.

As in Phase 1, selected applicants will receive their funding as a reimbursement after the new equipment has been delivered and MPCA has received confirmation that their old equipment has been destroyed. Settlement 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.

Under the clean heavy-duty off-road grant program, vehicle or equipment owners can work with third parties to submit aggregated applications for multiple vehicles owned by different organizations. In Phase 1, aggregated applications through grant contractors were allowed for all grant programs; however, based on applications received and input from stakeholders, in Phase 2 aggregated applications eligible for administrative costs will be eligible solely in the clean heavy-duty off-road grant program. The agency may re-evaluate this policy as needed for specific projects.

## Phase 2 grant programs

Below are descriptions of the six grant programs the MPCA will administer during Phase 2.

### Clean heavy-duty on-road vehicles grant program – 15% (\$3,525,000)

**Estimated emissions reductions: NO<sub>x</sub>: 142-187 tons; PM<sub>2.5</sub>: 6-9 tons; GHGs 4,467-9,616 tons**

There are approximately 200,000 heavy-duty diesel class 4-8 delivery trucks in Minnesota. Heavy-duty diesel trucks have an estimated lifespan of 25 years, making replacements of older trucks a very cost-effective investment in terms of total pollution reduced per dollar spent. This program will fund the replacement of transit buses and large and medium-sized (class 4-8) delivery trucks, up to 25% of the overall cost of the vehicle. MPCA may use a maximum funding cap to reflect that vehicles in this category vary greatly in size and that some can cost 2-3 times more than others, yet emission reductions may not be greater. During project selection, we will score additional points for GHG reductions and consider higher cap amounts or grant percentages for hybrid, ultra-low NO<sub>x</sub> compressed natural gas (CNG), and ultra-low NO<sub>x</sub> propane engines which cost more than clean diesel engines, but achieve greater emission reductions.

**Eligibility:** Public and private organizations with eligible diesel trucks and transit buses operating 75% or more of their miles in Minnesota. Eligible fuel types include diesel, propane, natural gas, and fuel/electric hybrid. Gasoline vehicles are not eligible for funding under the terms of the settlement.

**Why heavy-duty on-road vehicles?** This category represents the largest on-road opportunity for emissions reductions, including GHG reductions. The heavy-duty on-road category contains diesel equipment that emit the most nitrogen oxides in Minnesota, and also offers some of the most cost-effective vehicle replacements. Compared with school bus replacements, heavy-duty on-road projects achieve greater NO<sub>x</sub>, PM<sub>2.5</sub>, and GHG reductions because delivery trucks and transit buses travel two to six times further per year than school buses, and their estimated lifespan is 10 years longer (see Appendix 7).

## EXCERPT

### Clean heavy-duty off-road equipment grant program – 10% (\$2,350,000)

**Estimated emissions reductions: NO<sub>x</sub>: 3,707-6,368 tons; PM<sub>2.5</sub>: 132-385 tons; GHGs: 22,292-31,567 tons**

This program will fund the replacement or improvement of heavy-duty off-road equipment that is eligible under the Diesel Emission Reduction Act (DERA), such as marine engines, locomotives, trailer refrigeration units, terminal tractors, drayage trucks, and off-road engines, and equipment or vehicles used in construction, handling of cargo, agriculture, mining, or energy production. On-road idle reduction and other eligible technology under DERA may also be eligible.

This program will fund projects up to the following levels, based on the matching levels allowed by DERA. Table 3 gives limits as of 2019, which are subject to change annually:

**Table 3: DERA funding limits**

DERA eligible activities	Grant funding limits	Minimum mandatory cost-share (Fleet owner contribution)
Exhaust control retrofit	100%	0%
Engine upgrade / remanufacture	40%	60%
Locomotive idle reduction	40%	60%
Marine shore power	25%	75%
Engine replacement – diesel or alternative fuel	40%	60%
Engine replacement – zero emission	60%	40%
Vehicle/equipment replacement – diesel or alternative fuel	25%	75%
Vehicle/equipment replacement – zero emission	45%	55%
Vehicle replacement – drayage	50%	50%

**Note:** DERA funding levels and equipment eligibility change every year. This program will follow the most recent rules as provided by the U.S. Environmental Protection Agency (EPA).

**Eligibility:** Public and private organizations across the state. Eligible fuel types include diesel, propane, natural gas, and electric. Gasoline equipment is not eligible for funding under the terms of the settlement. Groups of equipment owners may work with third parties to submit aggregated applications.

**Aggregated applications:** Aggregated applications/grant contractors are eligible under this program. Eligible contractors may request up to 10% for administrative costs above the grant amount requested per equipment with a maximum of up to \$10,000 per piece of awarded equipment.

**Why heavy-duty off-road equipment?** Among the equipment types eligible for VW settlement funding, heavy-duty off-road equipment can be some of the largest emitters of air pollution and provide the most cost-effective emissions reductions (see Appendix 1). Through MPCA’s experience with DERA and conversations with equipment owners, we know that many of these engines are rarely upgraded without financial incentive. There are many old diesels in this category in Minnesota that have no pollution controls at all.

### School bus (non-electric) grant program – 10% (\$2,350,000)

**Estimated emissions reductions: NO<sub>x</sub>: 26-30 tons; PM<sub>2.5</sub>: 1.8-2.2 tons; GHGs: 1,985-2,643 tons**

This program will provide grants for the replacement of eligible Class 4-8 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. MPCA will provide a list of districts eligible for additional funding.

## EXCERPT

**Eligibility:** All Minnesota school bus operators, both public and private. Eligible replacement fuel types include diesel, propane, and natural gas. Gasoline vehicles are not eligible for funding under the terms of the settlement. Bus owners intending to replace their diesel bus with an electric school bus are eligible to apply under the electric school bus grant program.

**Why school buses?** During the MPCA public engagement efforts for both Phase 1 and Phase 2, prioritizing projects that reduce pollution exposures for children and replacing aging school buses emerged as a main theme. 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. Replacing those buses with new ones now would provide a 95% reduction in emissions.

**Phase 1 Supplemental Bus Program:** Late in Phase 1, MPCA released an additional school bus request for proposals to increase the number of replacement projects funded in Greater Minnesota. This supplemental school bus funding came out of the Phase 2 school bus grant program. The total amount for the Phase 2 school bus grant program will still be \$2,350,000; however, \$645,000 has already been released to accommodate the additional school bus needs in Greater Minnesota. (See Appendix 11)

### Electric school bus grant program – 20% (\$4,700,000)

**Estimated emissions reductions: NO<sub>x</sub>: 4-10 tons; PM<sub>2.5</sub>: 0.194-0.542 tons; GHGs: 554-1,405 tons**

This program will provide grants for the purchase of new electric school buses to replace older, Class 4-8, diesel school buses. Funding electric buses was the most common comment received throughout the comment period.

Using a portion of the funds, in 2020 the MPCA will create a pilot project to fund a limited number of electric school buses throughout MN. The pilot project will provide information on the electric vehicle technology for school buses and their practical application across Minnesota. Investment and implementation of new technology can present financial risk and variables that MPCA would like to learn about and report on to increase interest in future electric school bus grant opportunities.

Once we have analyzed the data from the pilot project, the MPCA intends to release an additional RFP with the remainder of the funds for electric school bus adoption in MN. The maximum grant amount will be 50-95% of the cost of a new electric bus. The exact amount will be determined after we have analyzed the data from our pilot project. The agency intends to offer increased grant amounts for school districts with 40% of students eligible for free or reduced-cost lunch.

**Eligibility:** All Minnesota school bus operators, both public and private. Vehicle owners must replace a diesel bus with an electric bus.

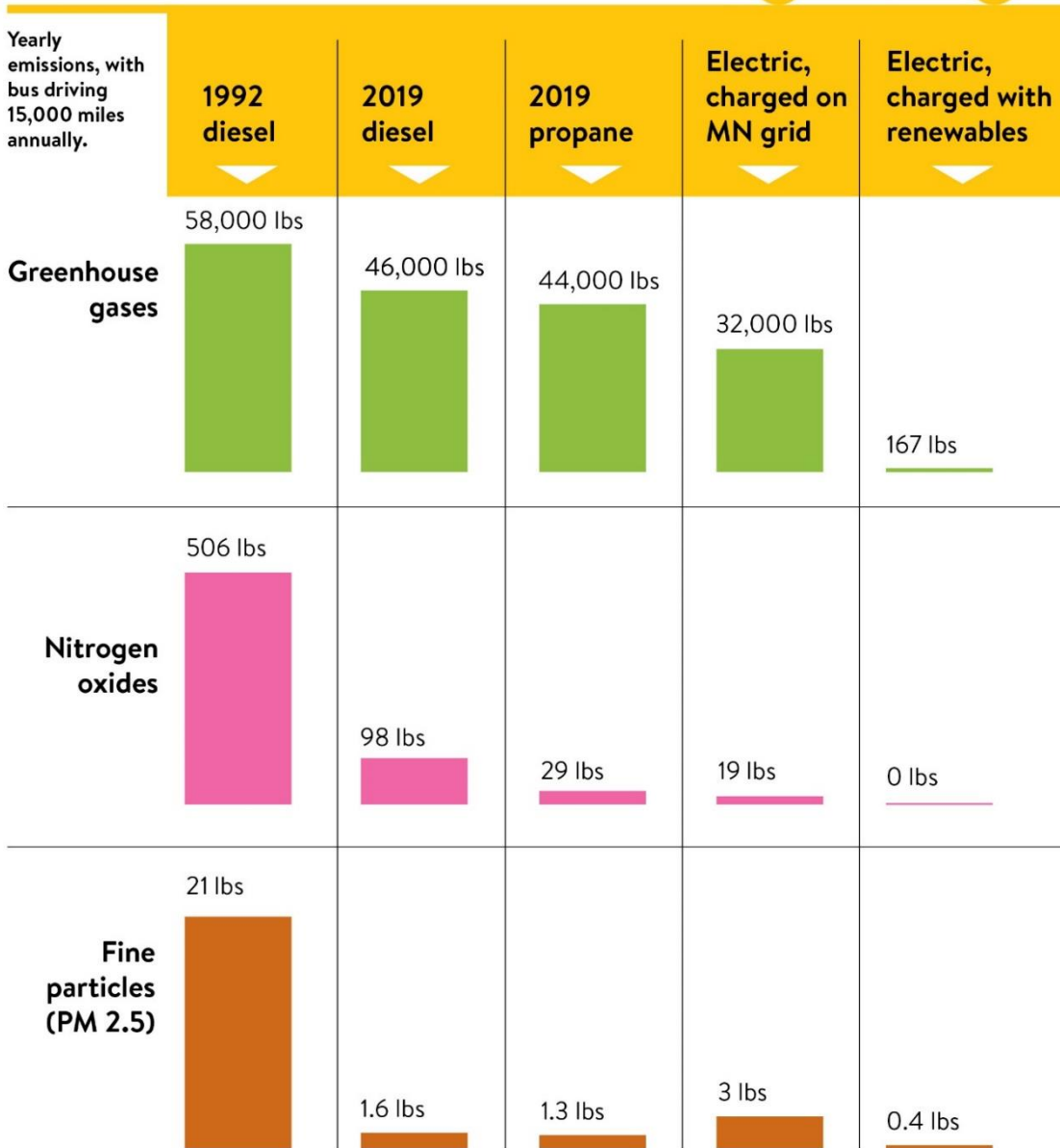
**Why electric school buses?** During our Phase 2 public engagement, we received many comments encouraging more dedicated funding for electric school buses. The purchase price of an electric bus is considerably higher than that of a diesel one. However, compared to diesel units, electric buses can achieve operational savings in both maintenance and fuel costs over the life of the vehicle. They also generate fewer GHG emissions and other pollutants, making them a good choice for the environment and for children's health (see Figure 5).

MPCA recognizes and values the positive long-term, transformational results from funding an emerging clean technology. We also wish to balance that view with the awareness and understanding that the technology is still developing and improving as more data, especially on the operational side, is generated and made available.

The travel range of electric buses is increasing, but may present potential challenges for rural and other high-mileage route areas. The MN pilot project as well as additional pilot projects from other cold-weather states like North Dakota, Massachusetts, and Vermont will provide much-needed information on electric school bus implementation, including operator training needs, cost-effectiveness, and geographical considerations. MPCA anticipates using results from these pilots as data become available to help hone and improve our grant opportunities for electric buses. Future electric school bus requests for proposals may encourage partnerships with local utilities and other interested parties to help fund the adoption of electric buses.

## School buses: Cleaning up the fleet

Old school buses are very polluting.  
Newer, cleaner options exist.



## EXCERPT

### Heavy-duty electric vehicle grant program – 30% (\$7,050,000)

**Estimated emissions reductions: nitrogen oxides (NO<sub>x</sub>): 229-378 tons; fine particles (PM<sub>2.5</sub>): 5-47 tons; greenhouse gases (GHGs): 24,427-39,268 tons**

This program provides funds for electric alternatives to heavy-duty vehicles and equipment. We anticipate particular interest in replacing transit buses and shuttles, delivery trucks, and airport ground support equipment. Heavy-duty electric vehicles (EVs) are newer technology and significantly more expensive than other diesel alternatives; organizations may therefore need more financial assistance to begin to adopt EV technology. With a larger investment in Phase 2, this grant program will provide a greater opportunity for our state to adopt and learn about this technology.

**Eligibility:** Public and private organizations across the state. All heavy-duty vehicles (except school buses) and equipment eligible for replacement with an electric alternative are eligible to apply for funding. Airport ground support equipment and forklifts will also be considered in this category, as they are only eligible for electric replacements under the terms of the settlement. Vehicle or equipment replacements must be all-electric.

**Why heavy-duty electric vehicles?** Support for more EVs was the most common comment we received during our public engagement. Public transit providers, trucking companies, and Minnesotans across the state all said the MPCA should invest in this technology. EVs have no tailpipe emissions, and putting more of them on the road supports Minnesota’s Next Generation Energy Act goals for reducing greenhouse gas emissions. Public input and survey results from Minnesota Department of Transportation’s “Pathways to Decarbonizing Transportation in Minnesota” 2019 report demonstrated strong support for electric trucks and buses (as well as passenger vehicles) to meet the low-carbon goals for Minnesota’s transportation sector.

### Electric vehicle charging station grant program – 15% (\$3,525,000)

**Estimated emissions reductions: NO<sub>x</sub>: 2.4 tons; PM<sub>2.5</sub>: 0.1 tons; GHGs: 10,349 tons**

Minnesota will spend the bulk of the funds in this grant program on EV direct current (DC) fast-charging stations along highway corridors in Greater Minnesota for public use. Approximately, ninety percent (\$3.17 million dollars) will be spent on an estimated 43 new DC fast-charging locations, reimbursed up to 80% of total eligible project costs or up to \$65,000 per 50 kilowatt (kW) charging station installation. In order to build a statewide EV charging network across Minnesota, MPCA has identified preliminary roadways for funding (see Figure 6). Table 4 describes the proposed roadways. Some locations have been proposed for installation of a DC fast-charging station while others are left open for selection by the grant recipient. These pre-selected locations are not mandatory as they were in Phase 1, merely possibilities based on traffic volume and location in proximity to existing and proposed EV charging stations. This flexibility is designed to create a complete EV charging network across MN. These roadways will be grouped into corridors similarly to Phase 1. Applicants will be required to apply for installation of the entire corridor with multiple DC fast charging stations. MPCA will consider the location of newly installed DC fast-charging stations when writing the request for proposals in an attempt to not be duplicative. 39 of the possible 43 chargers are currently proposed, to leave flexibility for future planning within Phase 2.

Approximately, ten percent (\$352,500) will fund Level 2 stations (which offer slower charging) at public locations, mobility hubs, workplaces, and multi-unit dwellings. MPCA estimates that 52 dual-port Level 2 EV charging stations will be funded, reimbursing up to \$7,500 per unit. Grant funding will not exceed 60% of cost for private electric vehicle charging installations or 80% of the cost for public charging installations. The request for proposals for Level 2 charging stations may require or incentivize applicants to apply for no less than four dual-port Level 2 charging stations in mobility hubs, workplaces, multi-unit housing, and public parking lots. Those stations will not need to be co-located. With any remaining funds from the initial Phase 2 fast charging and level 2 RFPs, MPCA will assess the present charging infrastructure at that time and offer a third RFP later in Phase 2 to meet the needs of the anticipated growth of EV ownership in Minnesota. That RFP may include additional 50 kW fast chargers, 150 kW super chargers or Level 2 charging stations. Total funds for EV charging will not exceed the 15% limit set forth in the settlement.

## EXCERPT

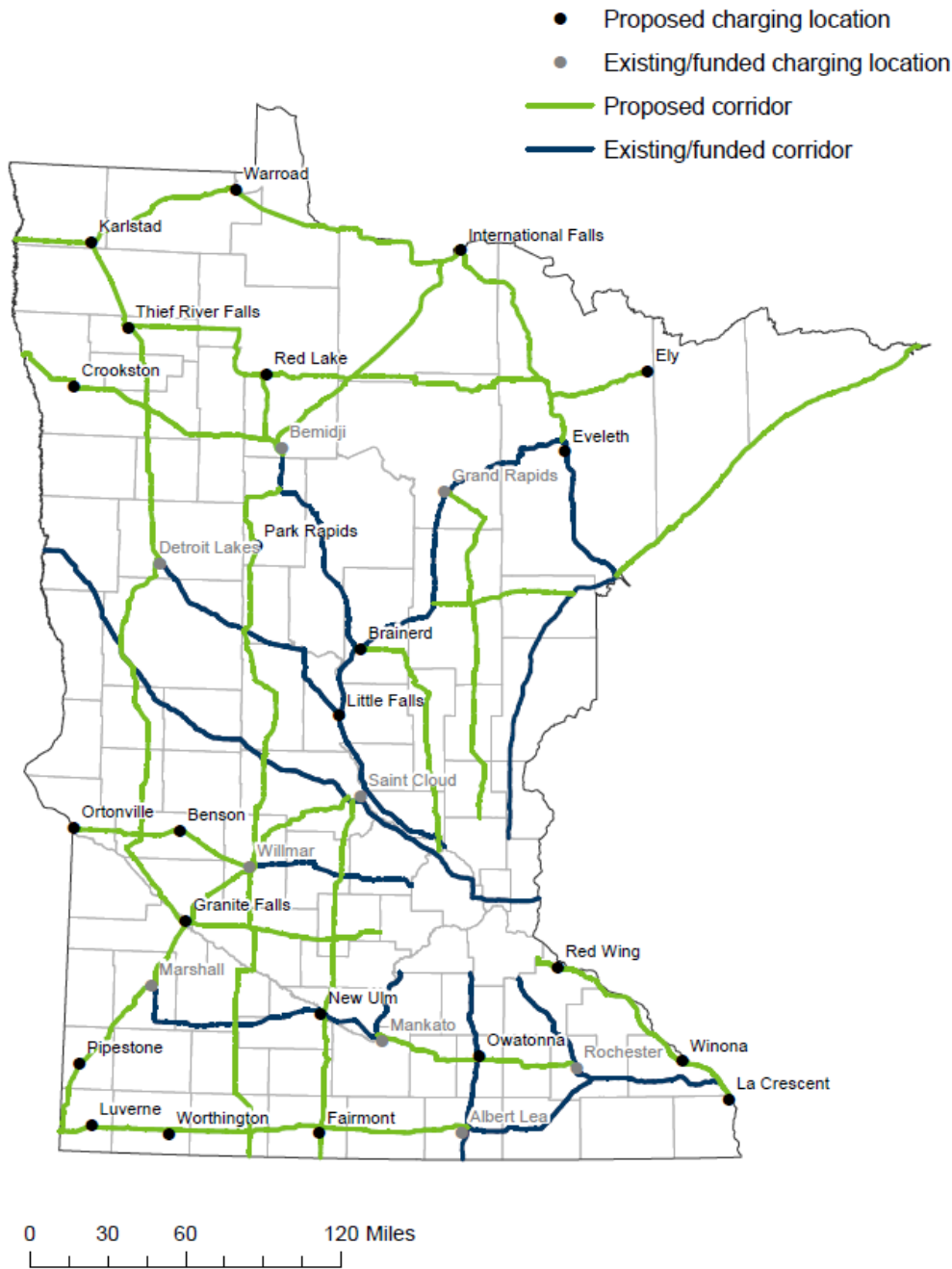
**Eligibility:** Applicants will be required to apply for installation of the entire corridor including DC fast charging stations on multiple roadways . Grantees building fast-charging stations along corridors shall install them at approximately 15- to 70-mile increments along identified roadways approximately two miles or less from the exit. Fast-charging stations must be a minimum of 50 kW. MPCA may require the installation to include adequate electrical conduit at each station for future upgrades up to 350 kW and space for extending the parking pad. To maximize emission reductions, we will encourage charging stations be powered by electricity generated from renewable sources (wind, solar) through either a utility renewable energy program or by purchasing renewable energy credits. Solar directly connected to EV charging may be encouraged for Level 2 charging stations.

**Why electric vehicle charging stations?** Support for more EVs was the most common comment we received during our public engagement. Minnesotans strongly advocated for using the maximum amount allowed for EV charging stations (15%) under the terms of the settlement. Survey and comment data indicate support for a fast-charging network across the state to expand EV access for all Minnesotans and reduce range anxiety. Based on public comments received, MPCA plans to continue to install 50 kW chargers with necessary conduits for future upgrades along highway corridors. Funding 50 kW chargers will allow Minnesota to extend our fast-charging network more rapidly than if we were to require higher-cost 150 kW chargers. 50kW charging also aligns with current vehicle technology.

Stakeholders also told us that fast-charging is harder to finance without subsidy; slower Level 2 chargers are lower cost and easier to fund. A funding distribution of 90% for fast-charging stations and 10% for Level 2 charging creates opportunities for both investments.

# EXCERPT

Figure 6: Proposed electric vehicles charging corridors for funding in Phase 2



The MPCA has identified preliminary roadways for funding. Some cities identified here are receiving a DC fast-charging station from Phase 1. Some locations have been chosen as preferred locations for a DC fast-charging station based on location. MPCA is not proposing to fund any DC fast-charging stations within the seven-county Twin Cities metro area due to the present publically available options for charging.



# EXCERPT

**Table 4: Proposed electric vehicles charging roadways for Phase 2 funding. Roadways will be grouped into corridors with multiple roads and DC Fast chargers within the RFP.**

Highway	Description	Length (mi)	Possible charging station locations	Total # per corridor
Hwy 210	Brainerd to Duluth	125 mi	No location specified	1
Hwy 210, Hwy 169	Brainerd to Northwest corner of Twin Cities metro area	94 mi	No location specified	2
Hwy 15	<b>St. Cloud</b> to New Ulm to Fairmont	141 mi	New Ulm, Fairmont	3
Hwy 212	Granite Falls to western border of Twin Cities metro area	71 mi	Granite Falls	2
Hwy 23	<b>St. Cloud</b> to <b>Willmar</b> , to Granite Falls to <b>Marshall</b> to Pipestone	43 mi	Pipestone	1
Hwy 61	Duluth to Grand Portage	145 mi	No location specified	2
Hwy 14	<b>Rochester</b> to Owatonna to <b>Mankato</b>	85 mi	Owatonna	1
Hwy 61	Red Wing to Winona to La Crescent	88 mi	Red Wing, Winona, La Crescent	3
Hwy 89 to Hwy 2 to Hwy 71, Hwy 200	Red Lake to <b>Bemidji</b> to Park Rapids to <b>Willmar</b> to Jackson	335 mi	Red Lake, Park Rapids	4
Hwy 65 Hwy 2	<b>Grand Rapids</b> to Northern border of Twin Cities metro area	146 mi	No location specified	2
Hwy 1	Ely to Thief River Falls	225 mi	Ely, Thief River Falls	3
Hwy 11 Hwy 71	International Falls to Karlstad	198 mi	International Falls, Warroad, Karlstad	4
Hwy 53	International Falls to Eveleth	105 mi	No location specified	1
Hwy 2 Hwy 71	East Grand Forks to <b>Bemidji</b> to International Falls	220 mi	Crookston	3
I-90	<b>Albert Lea</b> to Western border	155 mi	Luverne, Worthington	2
Hwy 59, Hwy 212	Karlstad to Thief River Falls to <b>Detroit Lakes</b> to Granite Falls	292 mi	No location specified	3
Hwy 12	<b>Willmar</b> to Benson to Ortonville	73 mi	Benson, Ortonville	2
	<b>Total</b>	<b>2,541 mi</b>	<b>Total new charging stations</b>	<b>39</b>

\*Cities that are in **bold** will have one built as part of phase 1 Volkswagen DC Fast charging corridors.

## Core application criteria

As in Phase 1, our 10-year goals will guide the application and project selection process. The process will consider the location of each replacement vehicle to meet our 60% Twin Cities metropolitan area and 40% Greater Minnesota investment goals, as well as our goals to invest in vulnerable communities. Each program’s application process may have specific criteria based on the purpose of the program, but we plan to include the following core criteria in all applications for diesel replacement projects.

- Emissions reduction: Reducing NO<sub>x</sub>, PM<sub>2.5</sub>, and GHG
- Cost-per-ton: Cost-effectiveness of NO<sub>x</sub> reductions based on cost paid with VW funds (not total project cost). Additionally, GHG reductions may be used to evaluate cost-effectiveness of certain projects