



STATE OF HAWAII

VOLKSWAGEN SETTLEMENT ENVIRONMENTAL MITIGATION TRUST AGREEMENT

SEMI-ANNUAL REPORT (July 1 – December 31, 2021)

Prepared and submitted by the Hawaii State Energy Office within the State of Hawaii

Department of Business, Economic Development, and Tourism

December 2021

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Volkswagen Settlement Semi-Annual Report (July - December 2021)

Beneficiary	Hawaii
Lead Agency	Department of Business, Economic Development, and Tourism
Reporting Period	July 1 – December 31, 2021

Summary of All Costs

Beneficiary Project ID	Project	Total Funds Obligated	Total Funds Expended to Date
VW - 0010 - 0001	ACTION 10 DERA FY17/18 HONOLULU TRANSIT BUS REPLACEMENT	\$ 230,087	\$ 103,029.05
VW - 0010 - 0002	ACTION 10 DERA FY19 amended VEHICLE ASSISTANCE PROGRAM – <i>renamed Diesel Replacement Rebate</i>	\$ 2,519,913	\$86,693.09
VW - 0009 – 0003	ACTION 9 LIGHT DUTY ZEV SUPPLY EQUIPMENT	\$ 1,218,750	\$30,305.36

Date Submitted	Submission/Status
January 2020	Hawaii Semi-Annual Report (Jul – Dec 2019) submitted
March 2020	Project 1 – U.S. EPA approved no-cost extension with updated deadline of June 2021
March 18, 2020	Project 1 – HSEO and DOH-CAB finalized Memorandum of Agreement Project 2 – HSEO and DOH-CAB finalized Memorandum of Agreement
May 8, 2020	Project 1 – solicitation open for “Furnish and Deliver 29’ to 35’ Heavy Duty Low Floor Battery Electric Bus
June 8, 2020	Project 1 – all bids received for “Furnish and Deliver 29’ to 35’ Heavy Duty Low Floor Battery Electric Bus
June 30, 2020	Project 2 – DERA FY20 workplan submitted to U.S. EPA for approval
July 7, 2020	Project 1 – Contract awarded for “Furnish and Deliver 29’ to 35’ Heavy Duty Low Floor Battery Electric Bus”
December 2, 2020	Project 2 - Amended funding request submitted to U.S. Wilmington Trust for approval
April 22, 2021	Project 3 – Application for Kauai Alternative Fuel Corridor approved
May 26, 2021	Project 2 – DERA FY21 workplan submitted to U.S. EPA for approval
October 2021	Project 1 – New vehicle received, old vehicle scrapped, and invoice submitted
October 29 2021	Project 2 – Diesel Replacement Rebate open and accepting applications

Program details on following pages.

The information in this report is true and correct and submission is made under penalty of perjury.		Feb 14, 2022
	Chris Yunker Managing Director	Date

Project 1 Update – Action 10 DERA FY 17/18 Honolulu Transit Bus Replacement

On May 19, 2019, HSEO submitted a D-4 Funding Request to the Trustee for \$230,087. The funding request was approved by the Trustee on July 19, 2019. Trust funds were disbursed to the State of Hawaii on August 2, 2019.

The City and County of Honolulu, Department of Transit Services (DTS) and Oahu Transit Services (OTS) will introduce a new three-mile bus route for TheBus to be named “the Downtown Health Circular.” The City and County of Honolulu, DTS and OTS, plan to operate the route with two (2) battery electric buses. Hawaii State Energy Office (HSEO) will utilize Trust Funds and Department of Health, Clean Air Branch (DOH-CAB) DERA funds to assist with the purchase of the two (2) battery electric buses. The funds from the D-4 funding request will allow the DOH-CAB to receive \$113,088 of EPA DERA FY 17/18 matching incentive funds for the project.

HSEO and DOH-CAB finalized the Memorandum of Agreement for the project on March 18, 2020, and DOH-CAB and City and County of Honolulu DTS are finalizing the subgrant agreement for DERA FY17/18 programming.

The City and County of Honolulu DTS Purchasing Department opened the “Furnish and Deliver 29’ to 35’ Heavy Duty Low Floor Battery Electric Bus” solicitation on May 8, 2020 and received all offeror bids on June 8, 2020. As of July 7th, 2020 a contract has been awarded to A-Z Bus Sales Inc.

Project Modifications

The project deadline has been extended from the initial deadline of March 31, 2020 due to delays of bus procurement. In March 2020, DOH-CAB’s request for a no-cost extension was approved by the U.S. EPA for the DERA FY17/18 Program. The updated project deadline is September 2021.

Although the initial plan was to purchase 2 buses, the City and County of Honolulu is purchasing only one due to the high cost of the vehicle. Therefore, the total project cost is under-budget. In order to preserve trust funds, HSEO has opted to provide a voluntary match of budgeted \$ 93,077 instead of the state match. DOH will be returning the bonus incentive provided by EPA.

Project Update

The City and County of Honolulu received the replacement electric bus and scrapped the existing bus.

Project 1 Budget					
Budget Category	Total Funds Expended to Date	Total Approved Budget	Share of Total Budget to be Funded by the Trust*	Cost-Share, DERA FY17/18 EPA Allocation	Cost-Share, City and County of Honolulu
Equipment Expenditure	\$93,077	\$ 1,524,000	\$ 93,077	\$ 323,643	\$ 551,508
Administrative Costs	\$ 9,952.05	\$ 16,425	\$ 16,425	\$ -	
Project Totals	\$ 103,029.05	\$ 1,558,513	\$ 127,590	\$ 323,643	\$ 551,508
Percentage	47%	100%	15%	30%	55%

*The Administrative costs as noted in the DERA workplan submitted to the EPA were originally \$34,513. As the budget decreased as noted above, the administrative budget decreased as well. The new administrative budget noted here will be updated in the DERA workplan.

Project 2 Update – Action 10 DERA FY 19 Electric Bus Assistance Program

On July 8, 2019, HSEO submitted its second D-4 Funding Request to the Trustee for \$316,494. The funding request was approved by the Trustee on September 6, 2019. Trust funds were disbursed to the State of Hawaii on September 21, 2019.

The Electric Bus Assistance Program will utilize \$316,494 of Trust Funds and \$158,247 of DERA FY19 matching incentive funds from DOH-CAB to provide incentives up to 45% of bus costs to awarded fleet owners. Fleet owners would be required to cover the remaining cost-match of each battery electric bus purchased. The program will replace at least two (2) diesel buses in its first year with an anticipated NOx emission reduction of 2.89 tons. The Electric Bus Assistance program is anticipated to recur on an annual basis.

HSEO and DOH-CAB finalized the Memorandum of Agreement for the project and ongoing partnership for Hawaii’s DERA state allocation on March 18, 2020.

Project Modifications

In order to create a seamless experience for potential applicants, HSEO has requested and received the remaining \$2,203,419 of DERA-applicable funds. Requesting these funds in bulk allows HSEO to run an ongoing rebate program that accepts applications from year to year without interruption. The requested \$2,203,419 of Trust funds were disbursed to the State of Hawaii on February 8, 2021. This brings the total VW funds available for Project 2 to \$2,519,913. HSEO is currently implementing this multi-year program with the Department of Health, which has been renamed Diesel Replacement Rebate.

This program offers financial assistance to private and/or public fleet owners looking to replace older, medium- and heavy-duty diesel trucks and buses with battery electric trucks and buses (Eligible Class 4-8 School Bus, Shuttle Bus, or Transit Bus). The program was developed to fulfill the goals and requirements of the Trust and the DERA FY19 program. The program includes eligibility criteria such as vehicle engine model eligibility, NOx reductions, diesel vehicle replacement, project/fleet sustainability, community benefits, and areas of service.

The first year of this program focuses on replacing medium- and heavy-duty trucks and school, transit, and shuttle buses with battery-electric equivalents. Other program criteria as defined above remain unchanged. Vehicle eligibility may expand in future years in response to community and market needs.

The program opened on October 29th 2021. There has been a robust response to the program with multiple applicants and vehicle types. Questions raised in response to the application have resulted in minor modifications to eligibility requirements which will be implemented in the first quarter of 2022 during a scheduled program update.

HSEO is utilizing DERA FY19, FY20, and FY21 funds in partnership with DOH. The deadline for receipt of vehicle for projects funded using FY 19/20 is September 30, 2022. Projects using FY 21 funds have a deadline of September 30, 2023.

The table below shows an estimated breakdown of the multi-year funding. This program will run through 2027. DOH will be providing an additional \$918,083 from FY 19 & 20 for the first year of this multi-year program.

Project 2 Budget						
Budget Category	Total Funds Expended to Date	Total Approved Budget	Share of Total Budget to be Funded by the Trust	Share of Total Budget to be Funded by DERA Bonus Incentive	Share of Total Budget to be Funded by DERA Base Award	Participant Cost-Share, (DERA Grant)
Equipment Expenditure	\$0	\$13,452,714	\$2,141,926	\$1,259,957	\$2,351,097	\$7,699,734

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Administrative costs	\$ 86,693.09	\$546,803	\$377,987	\$ -	\$168,816	
Project Totals		\$13,999,517	\$2,519,913	\$1,259,957	\$2,519,913	\$7,699,734
Percentage		100%	18%	9%	18%	55%

Project 3 Update – Action 9 Light Duty Zero Emission Vehicle (ZEV) Supply Equipment

On October 16, 2019, HSEO submitted its third D-4 Funding Request to the Trustee for \$1,218,750. The funding request was approved by the Trustee on December 16, 2019. Trust funds were disbursed to the State of Hawaii on December 24, 2019,

HSEO plans to utilize these Trust funds to contribute towards the purchase, installation, and maintenance of approximately 20-30 light duty electric vehicle (EV) charging stations, which may include a mix of Level 1 chargers, Level 2 chargers, and DC fast chargers. The program will focus on locations (1) available to the public at government-owned properties; (2) available at workplaces; or (3) that support charging network connectivity. The funded EV charging stations will help to expand Hawaii’s statewide EV charging network and support the state’s fleet electrification efforts. Program and projects are anticipated to run through December 2025.

HSEO plans to allocate a portion of the Trust funds for EV charging infrastructure in strategic locations which support economically efficient deployment and utilization of EV charging infrastructure from a holistic energy system perspective. The program seeks to support workplace or daytime charging infrastructure to align with peak solar generation periods. Ideal EV charging infrastructure will also serve the needs of both private personal EVs and public fleets, maximizing charging infrastructure utilization and increasing EV adoption.

Project Update

HSEO also plans to allocate funds to EV charging infrastructure projects that support the expansion of Hawaii’s EV charging network to areas not yet serviced, ideally along Hawaii’s federally

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recognized Alternative Fuel Corridors. The funding allocation for EV charging infrastructure will take into consideration support of EV adoption within the four major counties of Hawaii, existing charging station ports, and stakeholder engagement. In addition to the corridors already in place on the islands of Hawaii, Maui, and Oahu, HSEO worked with local stakeholders to complete an application for an Alternative Fuel corridor on Kaua'i, including highways 560, 56, and 50. The application successfully received a Corridor-Pending designation despite having no DC fast chargers on the proposed corridor in part due to the commitment of \$50,000 of Volkswagen Settlement funds towards a DC fast charger for the corridor.

Project 3 Budget				
Budget Category	Total Funds Expended to Date	Total Approved Budget	Share of Total Budget to be Funded by the Trust	Cost-Share (if applicable) *
Charging Stations		\$ 1,035,939	\$ 1,035,939	TBD
Holistic EV Charging Infrastructure Deployment			\$ 635,939	
Statewide EV Charging Network Connectivity Infrastructure			\$ 400,000	
Administrative Cost	\$ 30,305.36	\$ 182,811	\$ 182,811	TBD
Project Totals		\$ 1,218,750	\$ 1,218,750	TBD