

STATE OF HAWAII

VOLKSWAGEN SETTLEMENT ENVIRONMENTAL MITIGATION TRUST AGREEMENT

SEMI-ANNUAL REPORT (July 1 – Dec 31, 2022)

*Prepared and submitted by the Hawai'i State Energy Office within the State of Hawai'i
Department of Business, Economic Development, and Tourism*

January 2023

State of Hawai'i
Volkswagen Settlement Semi-Annual Report (July – December 2022)

Beneficiary	Hawai'i
Lead Agency	Department of Business, Economic Development, and Tourism
Reporting Period	July 1 – December 31, 2022

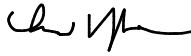
Summary of All Costs			
Beneficiary Project ID	Project	Total Funds Obligated	Total Funds Expended to Date
VW - 0010 - 0001	ACTION 10 DERA FY17/18 HONOLULU TRANSIT BUS REPLACEMENT	\$230,087	\$ 106,159.64
VW - 0010 - 0002	ACTION 10 amended VEHICLE ASSISTANCE PROGRAM – <i>renamed Diesel Replacement Rebate</i>	\$2,519,913	\$128,184.19
VW - 0009 – 0003	ACTION 9 LIGHT DUTY ZEV SUPPLY EQUIPMENT	\$1,218,750	\$47,702.70
VW - 0002 – 0004	ACTION 2 HAWAI'I ZERO-EMISSION BUS PROGRAM	\$4,156,250	\$15,105.97

Date Submitted	Submission/Status
January 2020	Hawai'i 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 Kaua'i 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
November 9, 2021	Project 4 - HSEO submitted a D-4 Funding Request to the Trustee
February 7, 2022	Project 2 – DRR reopens under modified eligibility criteria
January 22, 2022	Project 4 - funding request was approved by the Trustee
Spring 2022	Project 2 – Continued project evaluation and applicant selection
March 8, 2022	Project 1 – Return of funds initiated, project completed

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June 30, 2022	Project 4- MOA between DOT and HSEO signed
Summer 2022	Project 2 - Developed new eligibility requirements for year 2 rollout
December 1, 2022	Project 4- RFP released
December 12, 2022	Project 2 – EPA approved workplan updates and extended project deadline

Program details on following pages.

The information in this report is true and correct and submission is made under penalty of perjury.		Feb 17, 2023
	Chris Yunker Managing Director	Date

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

On May 19, 2019, the Hawai'i State Energy Office (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 Hawai'i on August 2, 2019.

The City and County of Honolulu, Department of Transit Services (DTS) and O'ahu Transit Services (OTS) planned to 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, planned to operate the route with two (2) battery electric buses. HSEO utilized 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 allowed 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.

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 7, 2020 a contract has been awarded to A-Z Bus Sales Inc.

Project Modifications

The project deadline was 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 was 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. HSEO initiated the return of unused VW funds on March 8, 2022. This project is now complete.

Project 1 Budget					
Budget Category	Total VW 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	\$ 1,002,741	\$ 93,077	\$ 358,156	\$ 551,508
Administrative Costs	\$13,082.64	\$ 16,425	\$ 16,425	\$ -	
Project Totals	\$106,159.64	\$ 1,019,166	\$ 109,502	\$ 358,156	\$ 551,508

*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 Diesel Replacement Rebate 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 Hawai'i on September 21, 2019.

Project Modifications

In order to create a seamless experience for potential applicants, HSEO 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 Hawai'i 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 (formerly Electric Bus Assistance Program).

The program was developed to fulfill the goals and requirements of the Trust and the DERA 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.

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

The program opened on October 29, 2021. There has been a robust response to the program with multiple applicants and vehicle types resulting in 94% of funds reserved. Questions raised in response to the application resulted in minor modifications to eligibility requirements which were implemented on February 7, 2022 during a scheduled program update. The first year of this program focused on replacing medium- and heavy-duty trucks and school, transit, and shuttle buses with battery-electric equivalents.

In its first year, the Diesel Replacement Rebate Program utilized program funds from fiscal years 2019, 2020, and 2021 totaling \$2,394,883, including DERA matching incentive funds. The program provided incentives up to 45% of bus costs to awarded fleet owners. Fleet owners are required to cover the remaining cost-match of each battery electric bus and charger purchased.

HSEO has been awarded a no-cost extension of FY 19/20 funds, which changed the deadline from September 30, 2022 to 2024. On December 12, HSEO was awarded a no-cost extension of the FY 21/22 funds, extending this deadline to September 30, 2024 as well. Additionally, HSEO was approved to offer rebates for diesel-to-hydrogen as well as tractors and nonroad vehicles at ports and airports. These vehicles will be eligible for funding in the upcoming program launch. DOH has been notified that they will receive \$522,536 from the EPA. With the VW match of \$ 348,357, the total available FY 22 funds will be \$870,893.

The table below shows an estimated breakdown of the multi-year funding. This program will run through 2027.

Project 2 Multi-Year 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
Administrative costs	\$128,184.19	\$546,803	\$377,987	\$-	\$168,816	
Project Totals	\$128,184.19	\$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 Hawai'i 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 Hawai'i's statewide EV charging network and support the state's fleet electrification efforts. Program and projects are anticipated to run through December 2026.

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 Hawai'i's EV charging network to areas not yet serviced, ideally along Hawai'i's federally 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 Hawai'i, existing charging station ports, and stakeholder engagement. In addition to the corridors already in place on the islands of Hawai'i, Maui, and O'ahu, 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.

HSEO is currently working with agencies statewide to develop a plan to utilize this funding in conjunction with other federal sources such as the NEVI funding, programs proposed by Hawai'i's electric utilities including Hawaiian Electric's 79M EV charging expansion application, and the State funded Hawai'i Energy EV Charging System Rebate program, to maximize impact.

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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	\$47,702.70	\$ 182,811	\$ 182,811	TBD
Project Totals	\$47,702.70	\$ 1,218,750	\$ 1,218,750	TBD

Project 4 Update – Action 2 Hawai'i Zero Emission Bus Pilot (HZEB)

On November 29, 2021, HSEO submitted a D-4 Funding Request to the Trustee for \$ 4,156,250. The funding request was approved by the Trustee on January 28, 2022. Trust funds were disbursed to the State of Hawai'i on March 2, 2022.

The project under development is in partnership with the Hawai'i Department of Transportation, HSEO, Maui County, Hawai'i County, and Kaua'i County. County and DOT funding, combined with \$4.16M of VW project funds, would result in up to 12 new electric buses and associated charging equipment.

The overall program will reduce emissions, improve air quality, and protect public health in targeted residential, rural, and school zones in Hawai'i that are more susceptible to criteria air pollutants. Diesel bus replacements would reduce diesel particulate matter and greenhouse gas emissions benefiting susceptible communities and improving Hawai'i's air quality.

HSEO and DOT signed a Memorandum of Agreement on June 30, 2022. The counties issued a joint RFP in December 2022. Anticipated delivery of buses is summer 2023 and the project is expected to close in 2025.

Project 4 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 covered by cost-share
Equipment Expenditure		\$16,933,628	\$3,532,813	\$13,400,815
Administrative costs	\$15,105.97	\$623,438	\$623,438	
Project Totals	\$15,105.97	\$17,557,065	\$4,156,250	\$13,400,815*
Percentage		100%	24%	76%

* The D4 for this project listed the cost share as \$14,027,065 because the counties will be paying for buses that VW will not be contributing to. For simplicity, we have listed only their contributions towards VW-eligible buses.