

January 31, 2023

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

RE: State of Montana VW Settlement – Semiannual Report  
Reporting period July 1 – December 31, 2022

Dear Mr. Bochanski,

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

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

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

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

Sincerely,

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

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|----------------------------------|--|
| Beneficiary                      | Montana Department of Environmental Quality              |
| Eligible Mitigation Action Title | EMA 2: Class 4-8 School Bus, Shuttle Bus, or Transit Bus |
| Reporting Period Covered         | 07/01/2022-12/31/2022                                    |

| Project Budget   |   |  |                       |                       |
|--|---|--|-----------------------|-----------------------|
| Budget Category  | Share of Total Budget to be Funded by the Trust | Cost-Share to be paid by Project Recipient | Total Budget Amount   | Expended              |
| Transit Buses & Charging Infrastructure  | \$6,304,217.78                                  | \$1,523,346                                | \$7,827,563.78        | \$1,950,000.00        |
| Administrative Costs (Program planning, development, outreach, administration) | \$163,000.00                                    | \$0  | \$163,000.00          | \$83,809.37           |
| <b>Project Totals</b>  | <b>\$6,467,217.78</b>                           | <b>\$2,267,385.62</b>                      | <b>\$8,734,603.40</b> | <b>\$2,033,809.37</b> |

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

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

DEQ’s contract with MUTD has been closed out and funding released to MUTD. DEQ’s contract with UM requires that the mitigation action be completed by January 31, 2023.

DEQ posted an RFA in September 2021 for the Clean Truck, Bus & Airport Equipment program, offering funds to provide reimbursement funding for eligible projects under EMAs 1, 2, 6, and 7. The purpose of this program is to support the overall goal of the EMT, reduction of mobile source NOx

emissions, while also achieving the goals outlined in Montana's Volkswagen EMT Beneficiary Mitigation Plan, and the Class 4-8 School Bus, Shuttle Bus, or Transit Bus EMA. The project eligibility for EMA 2 projects was to fund the replacement of 1992-2009 engine model year school buses with new all-electric transit school buses.

The Clean Truck, Bus & Airport Equipment program received 11 applications eligible under EMA 2 for a total of \$4,216,217.78 to fund the replacement of 11 diesel school buses with electric-powered school buses and associated charging infrastructure. As of this semiannual report, contracts have been signed with all three successful applicants, East Helena Public Schools, Havre Public Schools, and First Student, Inc. serving the Billings School District. The contracts with these entities require that the mitigation action be completed within 20 months of contract execution.

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| Beneficiary                      | Montana Department of Environmental Quality           |
| Eligible Mitigation Action Title | EMA 6: Class 4-7 Local Freight Trucks (Medium Trucks) |
| Reporting Period Covered         | 07/01/2022-12/31/2022                                 |

| Project Budget   |   |  |                       |                     |
|--|---|--|-----------------------|---------------------|
| Budget Category  | Share of Total Budget to be Funded by the Trust | Cost-Share to be paid by Project Recipient | Total Budget Amount   | Expended            |
| Trucks & Charging Infrastructure   | \$1,000,000.00                                  | \$398,016.00                               | \$1,398,016.00        | \$500,000.00        |
| Administrative Costs (Program planning, development, outreach, administration) | \$16,000.00                                     | \$0  | \$0                   | \$8,000             |
| <b>Project Totals</b>  | <b>\$1,016,000.00</b>                           | <b>\$398,016.00</b>                        | <b>\$1,414,016.00</b> | <b>\$508,000.00</b> |

DEQ posted an RFA in September 2021 for the Clean Truck, Bus & Airport Equipment program, offering funds to provide reimbursement funding for eligible projects under EMAs 1, 2, 6, and 7. The purpose of this program is to support the overall goal of the EMT, reduction of mobile source NOx emissions, while also achieving the goals outlined in Montana’s Volkswagen EMT Beneficiary Mitigation Plan, and the Class 4-7 Local Freight Trucks EMA. The project eligibility for EMA 6 projects was to fund the replacement of 1992-2009 engine model year trucks with new all-electric, diesel hybrid, compressed natural gas, or propane trucks.

The Clean Truck, Bus & Airport Equipment program received two applications eligible under EMA 6 for a total of \$1,000,000 to fund the replacement of two diesel street sweepers with electric-powered street sweepers and associated charging infrastructure. As of this semiannual report, a contract has been signed with both successful applicants, the City of Helena and the Town of Superior. DEQ’s contract with Superior has been closed out and funding released to the Town.

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| Beneficiary                      | Montana Department of Environmental Quality |
| Eligible Mitigation Action Title | EMA 7: Airport Ground Support Equipment     |
| Reporting Period Covered         | 07/01/2022-12/31/2022                       |

| Project Budget   |   |  |                     |                    |
|--|---|--|---------------------|--------------------|
| Budget Category  | Share of Total Budget to be Funded by the Trust | Cost-Share to be paid by Project Recipient | Total Budget Amount | Expended           |
| AGSE & Charging Infrastructure   | \$236,038.00                                    | \$101,185.00                               | \$337,280.00        | \$83,622.89        |
| Administrative Costs (Program planning, development, outreach, administration) | \$9,443.80                                      | \$0  | \$9,443.80          | \$3,344.92         |
| <b>Project Totals</b>  | <b>\$245,481.80</b>                             | <b>\$101,185.00</b>                        | <b>\$346,723.80</b> | <b>\$86,967.81</b> |

DEQ posted an RFA in September 2021 for the Clean Truck, Bus & Airport Equipment program, offering funds to provide reimbursement funding for eligible projects under EMAs 1, 2, 6, and 7. The purpose of this program is to support the overall goal of the EMT, reduction of mobile source NOx emissions, while also achieving the goals outlined in Montana’s Volkswagen EMT Beneficiary Mitigation Plan, and the Class 4-7 Local Freight Trucks EMA. The project eligibility for EMA 7 projects was to fund the replacement of older airport equipment with new all-electric airport equipment.

The Clean Truck, Bus & Airport Equipment program received four applications eligible under EMA 7 for a total of \$236,038 to fund the replacement of three diesel belt loaders and one diesel with electric-powered belt loaders, a push back tractor, and associated charging infrastructure. As of this semiannual report, contracts have been signed with the successful applicant for all four awards, the Missoula County Airport Authority. DEQ’s contract for the push back tractor has been closed out and funding released to Airport Authority.

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| Beneficiary                      | Montana Department of Environmental Quality              |
| Eligible Mitigation Action Title | EMA 9: Light Duty Zero Emission Vehicle Supply Equipment |
| Reporting Period Covered         | 07/01/2022-12/31/2022                                    |

| Project Budget   |   |  |                       |                     |
|--|---|--|-----------------------|---------------------|
| Budget Category  | Share of Total Budget to be Funded by the Trust | Cost-Share to be paid by Project Recipient | Total Budget Amount   | Expended            |
| Costs associated with installation of electric vehicle charging stations       | \$1,480,294.60                                  | \$743,828.90                               | \$2,224,123.50        | \$366,571.60        |
| Administrative Costs (Program planning, development, outreach, administration) | \$115,454.62                                    | \$0  | \$115,454.62          | \$43,027.08         |
| <b>Project Totals</b>  | <b>\$1,595,749.22</b>                           | <b>\$743,828.90</b>                        | <b>\$2,339,578.12</b> | <b>\$409,598.68</b> |

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

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

DEQ made awards to five FCYR applicants. One award has since been rescinded and one signed agreement has been terminated. The remaining three awards, a total of \$996,792.24, have signed agreements and continue to progress.

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

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| Beneficiary                      | Montana Department of Environmental Quality         |
| Eligible Mitigation Action Title | EMA 10: Diesel Emission Reduction Act (DERA) Option |
| Reporting Period Covered         | 07/01/2022-12/31/2022                               |

| Project Budget   |   |  |                       |                     |
|--|---|--|-----------------------|---------------------|
| Budget Category  | Share of Total Budget to be Funded by the Trust | Cost-Share to be paid by Project Recipient | Total Budget Amount   | Expended            |
| Costs associated with purchase of school buses                                 | \$268,541.00                                    | \$2,537,626.23                             | \$2,806,167.23        | \$268,541.00        |
| Administrative Costs (Program planning, development, outreach, administration) | \$47,390.00                                     | \$0  | \$47,390.00           | \$42,175.39         |
| <b>Project Totals</b>  | <b>\$315,931.00</b>                             | <b>\$2,537,626.23</b>                      | <b>\$2,853,557.23</b> | <b>\$310,716.39</b> |

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

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