

VW Settlement

Beneficiary Mitigation Plan for the State of Washington

Semiannual report

Background:

In 2015, the U.S. Environmental Protection Agency (EPA) issued a notice of violation to the automaker Volkswagen (VW) after it was discovered that the company illegally installed software on many of its diesel vehicles. The software allowed the vehicles to pass emissions tests when, in reality, they were emitting between 10 and 40 times the permitted levels of harmful nitrogen oxides.

These actions violated the federal Clean Air Act, violations that VW resolved in a series of settlements in 2016 and 2017. The settlements require VW to fund Environmental Mitigation Trust Agreements for State and Indian Tribe Beneficiaries. On March 15, 2017 the U.S. District Court for the Northern District of California (“the Court”) appointed Wilmington Trust, N.A. as the Trustee (the “Trustee”).

On November 3, 2017 Washington’s Governor Jay Inslee identified the Washington State Department of Ecology (Ecology) as the Lead Agency for purposes of Washington’s participation in the Environmental Mitigation Trust Agreement for State Beneficiaries (the “State Trust”). On January 29, 2018 the Trustee filed notice with the Court that Washington satisfied its filing requirements, in accordance with the State Trust agreement, identifying Washington as a State Trust beneficiary.

In accordance with the Trust agreement, the Trustee allocated Washington \$112.7M in federal settlement funds. The State Trust’s purpose is to fund environmental mitigation projects that reduce emissions of nitrogen oxides (“NOx”) where the subject vehicles were, are, or will be operated. On November 6, 2019 Washington filed its Beneficiary Mitigation Plan with the Trustee, which lays out spending priorities and high-level principles that will be used to guide the selection of eligible mitigation projects to meet the purpose of the State Trust.

Ecology submitted Washington’s first Eligible Mitigation Action (EMA) request which the Trustee approved on July 19, 2019. On September 17, 2019 Ecology received its first disbursement of trust assets. In accordance with the State Trust agreement, Ecology’s first semi-annual report is due no later than six months after receiving its first disbursement of Trust Assets. Ecology’s first report includes only projects for which Ecology has received disbursement of Trust Assets during the reporting period 9/17/2019 – 3/17/2020.

Subsequent semi-annual reports are due 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. Ecology will report on additional projects underway with budgeted VW funds in subsequent semi-annual reports.

Summary of All Costs

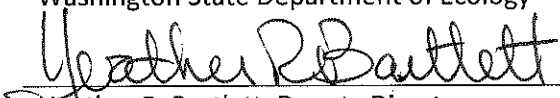
Reporting Period: 9/17/2019 – 3/17/2020	
Running Total of Settlement Funds Received	\$244,062.82
Total VW Funds Budgeted	\$15,000,000.00

Eligible Mitigation Action <i>Beneficiary Project ID</i>	Total Funds Budgeted	Total Funds Received	Project Funds		Administrative Funds	
			Budgeted	Received	Budgeted	Received
Scrap & replace or repower pre-2007 diesel transit buses with all-electric transit buses <i>EMA2-Transit-C1</i>	\$15,000,000	\$244,062.82	\$13,500,000	\$0	\$1,500,000	\$244,062.82
Totals	\$15,000,000	\$244,062.82	\$13,500,000	\$0	\$1,500,000	\$244,062.82

Project Narrative

EMA Project ID: EMA2-Transit-C1	
Expected Termination Date	6/30/2023.
Project Status	<p>Ecology has signed grant agreements with six transit authorities in Washington to purchase 47 all-electric transit buses. Washington transit authorities normally purchase new transit buses off of a Washington State contract. However, the current state contract term has expired and a new contract will not be available until summer of 2020.</p> <p>In the interim, transit authorities may conduct their own procurement processes or purchase from another state's contract.</p> <ul style="list-style-type: none"> Pierce Transit contracted directly with Gillig LLC for the manufacture and delivery of three (3) forty-foot, low floor, all-electric transit buses at a cost of \$1,014,518 per bus and a total cost of \$3,043,554. <p>According to the Ecology grant agreements, Transit Authorities have until 6/30/21 to order their electric buses.</p>
Summary of Costs Expended	Funds expended during this reporting period were for administrative costs totaling \$244,062.82.
Summary of Expenditures in the Next Reporting Period	All expenditures will be on a reimbursement basis. Ecology anticipates requesting additional administrative funds in August 2020. Ecology does not anticipate expending any project funds until approximately 4/2022 due to the delay with the Washington State Contract and the 18 month estimated time between bus order and bus delivery.

Modifications to the Project Scope/Timeline	None at this time, although Ecology is monitoring the progress to update the Washington State Contract and will note any modifications to the timeline in subsequent reports.
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The information in this report is true and correct and submission is made under penalty of perjury.	Laura Watson, Director Washington State Department of Ecology	Date
	 Heather R. Bartlett, Deputy Director Washington State Department of Ecology	3/11/2020 Date