

VW Settlement

Beneficiary Mitigation Plan for the State of Washington

Semi-annual 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 that 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.

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 Ending: 6/30/2022	
Running Total of Settlement Funds Received	\$10,329,358.46
Total VW Funds Budgeted	\$74,000,000.00

Eligible Mitigation Action Beneficiary Project ID	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>	\$15,000,000.00	\$1,773,882.75	\$13,500,000	\$1,200,000.00	\$1,500,000.00	\$73,882.75
Repower Jumbo Mark II Diesel Ferry with Battery Electric Power (diesel-electric hybrid) <i>EMA4-Ferries-C1</i>	\$35,000,000.00	\$ -	\$35,000,000.00	\$ -	\$ -	\$ -
Purchase and Install Workplace LD ZEV SE at Government Owned Property <i>EMA9-Workplace-C1</i>	\$2,500,000.00	\$173,542.36	\$2,250,000	\$111,850.73	\$250,000.00	\$61,691.63
Scrap & replace pre-2007 diesel school buses with all-electric school buses <i>EMA2-School Bus-C1</i>	\$13,000,000.00	\$7,651,153.26	\$12,000,000.00	\$7,268,752.44	\$1,000,000.00	\$382,400.82
Purchase and Install Electric Vehicle Charging Infrastructure along High-Traffic Transportation Corridors in WA <i>EMA9-Corridor-C1</i>	\$4,500,000.00	\$622,568.38	\$4,050,000.00	\$506,784.04	\$450,000.00	\$115,784.34
Shore Power for Ocean Going Vessels <i>EMA5-Shore Power-C1</i>	\$4,000,000.00	\$108,211.71	\$3,600,000.00	\$ -	\$400,000.00	\$108,211.71
Total	\$74,000,000.00	\$10,329,358.46	\$ 54,650,000.00	\$9,087,387.21	\$3,600,000.00	\$1,241,971.25

Project Narrative

EMA Project ID: EMA2-Transit-C1	
Expected Termination Date	6/30/2023
Project Status	Ecology has grant agreements in place with six transit authorities in Washington for about \$13,000,000 to purchase 47 all-electric transit buses. Transit awardees have received five electric buses and placed orders for another 31 electric buses. Ecology expects the remaining transit buses to be ordered in the upcoming reporting period.
Summary of Costs Expended	Ecology accrued administrative costs of approximately \$62,729.28 and project costs of approximately \$323,308.77 during this (January- June 2022) reporting period. Ecology is requesting reimbursement for costs expended in this reporting period in July 2022.
Summary of Expenditures in the Next Reporting Period	All expenditures will be on a reimbursement basis. Ecology anticipates accruing administrative costs of approximately \$106,311.41 and project costs of approximately \$6,000,000 in the next (July- December 2022) reporting period. Ecology anticipates requesting reimbursement for costs expended in the next reporting period from Wilmington Trust in February, 2023.
Modifications to the Project Scope/Timeline	Ecology approved extension requests for two grants to allow one additional year for project completion due to supply chain delays.

EMA Project ID: EMA4-Ferries-C1	
Expected Termination Date	12/31/2023
Project Status	Ecology has a signed grant agreement in place with Washington State Ferries (WSF) for \$35,000,000 for the conversion of a diesel ferry to a hybrid electric ferry. The Final Design of Hybrid Propulsion and Equipment is 95% complete. The project has experienced delays in ordering hybridization support equipment that are impacting development of final drawings and shipyard specifications. The project construction scheduled start date has been delayed from to May 1, 2023. Ecology and WSF have the grant agreement timeline and deliverables to align with these delays.
Summary of Costs Expended	Ecology recorded no expenditures during this reporting period.
Summary of Expenditures in the Next Reporting Period	All expenditures will be on a reimbursement basis. Ecology anticipates accruing project costs of approximately \$3,200,000 in the next (July- December 2022) reporting period. Ecology anticipates requesting reimbursement for costs expended in the next reporting period from Wilmington Trust in February, 2023.
Modifications to the Project Scope/Timeline	The project schedule for Task 1 Final Design has been revised to reflect delays due to COVID19. The project construction scheduled start date has changed to May 2023. WSF and Ecology have amended the grant agreement to allow for the schedule delays.

EMA Project ID: EMA9-Workplace-C1	
Expected Termination Date	6/30/2022, 6/30/2023
Project Status	Ecology has grant agreements in place with eight agencies for about \$400k to install 45 EV charging stations (44 level 2 and one DC Fast Charger). Three projects, including 14 charging stations, are complete and available for use. Two of the remaining projects, including 13 charging stations are underway and expected to be complete by 7/30/2022. Three projects, including 12 charging stations, experienced delays and Ecology has approved a one year project extension.
Summary of Costs Expended	Ecology accrued administrative costs of approximately \$550.02 and project costs of \$101,578.24 during this (January- June 2022) reporting period. Ecology is requesting reimbursement for costs expended in this reporting period in July 2022.
Summary of Expenditures in the Next Reporting Period	All expenditures will be on a reimbursement basis. Ecology anticipates accruing administrative costs of approximately \$932 and project costs of approximately \$120,000 in the next (July- December 2022) reporting period. Ecology anticipates requesting reimbursement for costs expended in the next reporting period from Wilmington Trust in February 2023.
Modifications to the Project Scope/Timeline	Ecology worked with three grantees to amend the agreements to allow for a one year extension to accommodate project delays.

EMA Project ID: EMA2-School Bus-C1	
Expected Termination Date	6/30/2023
Project Status	Ecology has grant agreements in place with all 22 awarded school districts for a total of about \$12M to scrap and replace 40 diesel school buses with all-electric school buses. Agreements also include funds for the purchase and installation of associated charging infrastructure. School districts have received delivery of 20 electric buses and ordered an additional 12 electric buses. Bus delivery will continue through the next reporting period. Twelve agreements have been completed and closed out.
Summary of Costs Expended	Ecology accrued administrative costs of approximately \$41,832.24 and no project costs during this (January- June 2022) reporting period. Ecology is requesting reimbursement for costs expended in this reporting period in July 2022.
Summary of Expenditures in the Next Reporting Period	All expenditures will be on a reimbursement basis. Ecology anticipates accruing administrative costs of approximately \$70,896 and project costs of approximately \$1,000,000 in the next (July-December 2022) reporting period. Ecology anticipates requesting reimbursement for costs expended in the next reporting period from Wilmington Trust in February 2023.

Modifications to the Project Scope/Timeline	The COVID-19 pandemic has caused delays in the supply chain for electric bus manufacturing. No changes were made to the scope or timeline of projects during this reporting period, but Ecology anticipates potential extension requests in the next reporting period.
EMA Project ID: EMA9-Corridor-C1	
Expected Termination Date	6/30/2027
Project Status	Ecology has grants in place with all 15 grantees for approximately \$3.4M to purchase and install 41 DC Fast Charging stations along high-traffic transportation corridors in Washington. Two projects are now complete, including six charging stations activated and ready for public use. Another eight projects, including 19 charging stations, are expected to be completed in the next reporting period. Five projects, including 16 charging stations, have requested an extension due to equipment and site construction delays. These projects will be completed in 2023.
Summary of Costs Expended	Ecology accrued administrative costs of approximately \$22,637.64 and project costs of \$538,927.90 during this (January- June 2022) reporting period. Ecology is requesting reimbursement for costs expended in this reporting period in July 2022.
Summary of Expenditures in the Next Reporting Period	All expenditures will be on a reimbursement basis. Ecology anticipates accruing administrative costs of approximately \$38,365 and project costs of approximately \$1,365,163.54 in the next (July-December 2022) reporting period. Ecology anticipates requesting reimbursement for costs expended in the next reporting period from Wilmington Trust in February 2023.
Modifications to the Project Scope/Timeline	There are no major modifications to the Project Scope or Timeline at this time. Three projects have requested a one-year extension. This will extend the five year reporting period to 6/30/2028.

EMA Project ID: EMA5-Shore Power-C1	
Expected Termination Date	6/30/2023
Project Status	Ecology has two grants in place for \$3.6M to install shore power for ocean going vessels in Seattle, WA at the Port of Seattle and Pier 66. Both projects are on track to be completed by the project expiration dates, 2023 and 2026.
Summary of Costs Expended	Ecology accrued administrative costs of approximately \$19,763.88 and no project costs during this (January- June 2022) reporting period. Ecology is requesting reimbursement for costs expended in this reporting period in July 2022.
Summary of Expenditures in the Next Reporting Period	All expenditures will be on a reimbursement basis. Ecology anticipates accruing administrative costs of approximately \$33,495 and project costs of zero in the next (July-- December 2022) reporting period. Ecology anticipates requesting reimbursement for costs expended in the next reporting period from Wilmington Trust in February 2023.

Modifications to the Project Scope/Timeline	There are no major modifications to the Project Scope or Timeline at this time.
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The information in this report is true and correct. Submission is made under penalty of perjury.	<hr/>	<hr/>
	Laura Watson, Director Washington State Department of Ecology	Date
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	Heather R. Bartlett, Deputy Director Washington State Department of Ecology	7/27/2022 Date