

July 31, 2026

VW Environmental Mitigation Trust for State Beneficiaries
Mr. Michael Bochanski, Jr., 5th 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 January 1 – June 31, 2026

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 (EMT) Agreement, each Beneficiary shall submit to the Trustee a semiannual report describing the following:

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

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.

In accordance with Section 5.3 of the Volkswagen EMT 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,



Dan Walsh
Administrator, Air, Energy & Mining Division
Montana Department of Environmental Quality

Beneficiary	Montana Department of Environmental Quality
Eligible Mitigation Action Title	EMA 1: Class 8 Local Freight Trucks and Port Drayage Trucks (Eligible Large Trucks)
Reporting Period Covered	1/01/2026-6/30/2026

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
Buses & Charging Infrastructure	\$244,453.95	\$1,853,133.64	\$2,097,587.59	\$0
Administrative Costs (Program planning, development, outreach, administration)	\$0	\$0	\$0	\$0
Project Totals	\$244,453.95	\$1,853,133.64	\$2,097,587.59	\$0

Narrative: DEQ posted a Request for Applications (RFA) in October 2024 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 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 Class 8 Local Freight Trucks EMA. The project eligibility for EMA 1 projects was to fund the replacement of 1992-2009 engine model year trucks with new all-electric, diesel hybrid, compressed natural gas, diesel, or propane trucks.

The Clean Truck, Bus & Airport Equipment program received seven applications eligible under EMA 1 for a total of \$244,453.95 to fund the replacement of seven diesel garbage and work trucks with new, cleaner diesel garbage and work trucks. As of this semiannual report, contracts have been signed with the successful applicants, Allied Waste Services and Missoula County.

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	1/01/2026-6/30/2026

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
Buses & Charging Infrastructure	\$8,059,474.21	\$2,809,661.88	\$10,869,136.09	\$6,052,618.04
Administrative Costs (Program planning, development, outreach, administration)	\$219,782.64	\$0	\$219,782.64	\$191,721.53
Project Totals	\$8,279,256.85	\$2,809,661.88	\$11,088,918.73	\$6,244,339.57

Narrative: DEQ posted an 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 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 program proposed 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 were 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 contracts with MUTD and UM have been closed and funding released after completion of all project activities.

DEQ posted a second 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 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 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 to fund the replacement of 11 diesel school buses with electric-powered school buses and associated charging infrastructure. As of this semiannual report, contracts were signed with all three successful applicants, East Helena Public Schools, Havre Public Schools, and First Student, Inc. serving the Billings School District, and all contracts have been closed and funding released after completion of all project activities.

A second Clean Truck, Bus & Airport Equipment RFA was posted in October 2024 with the same eligible project requirements. One application was received that was eligible under EMA 2 to fund the replacement of one diesel shuttle bus with a new electric bus. As of this report, a contract was signed with the City of Billings-Logan International Airport.

A third Clean Truck RFA was posted in October 2025 with the same eligibility requirements. Six applications were received to fund the replacement of four diesel school buses and two diesel shuttle buses with new electric buses. As of this report, contracts were signed with all four successful applicants, First Student (Billings & Lockwood School Districts), Handley Transportation (Clinton School District), Missoula County Airport Authority, and Big Sky Resort.

Beneficiary	Montana Department of Environmental Quality
Eligible Mitigation Action Title	EMA 6: Class 4-7 Local Freight Trucks (Medium Trucks)
Reporting Period Covered	1/01/2026-6/30/2026

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	\$2,062,377.36	\$467,785.42	\$2,530,162.78	\$1,000,000.00
Administrative Costs (Program planning, development, outreach, administration)	\$16,000.00	\$0	\$16,000.00	\$16,000.00
Project Totals	\$2,078,377.36	\$467,785.42	\$2,546,162.78	\$1,016,000.00

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 was signed with both successful applicants, the City of Helena and the Town of Superior. Both projects have been closed out and funding released after completion of all project activities.

A third Clean Truck RFA was posted in October 2025 with the same eligibility requirements. Three eligible applications were received to fund the replacement of three diesel trucks with new electric replacements. As of this report, contracts were signed with all three successful applicants, the Cities of Bozeman and Hamilton and YES Compost.

Beneficiary	Montana Department of Environmental Quality
Eligible Mitigation Action Title	EMA 7: Airport Ground Support Equipment
Reporting Period Covered	1/01/2026-6/30/2026

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	\$272,705.56	\$119,194.40	\$391,899.96	\$272,705.56
Administrative Costs (Program planning, development, outreach, administration)	\$8,996.05	\$0	\$8,996.05	\$8,996.05
Project Totals	\$281,701.61	\$119,194.40	\$400,896.01	\$281,701.61

DEQ posted RFAs in September 2021 and October 2024 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 the program 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 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 2021 program received four applications from the Missoula County Airport Authority 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, all four contracts have been closed out and funding released after completion of all project activities.

The 2024 program received one application from the Missoula County Airport Authority to replace an older baggage tractor with a new electric one with an award of \$47,804.40. As of this report, the contract has been closed out and funding released after completion of all project activities.

Beneficiary	Montana Department of Environmental Quality
Eligible Mitigation Action Title	EMA 9: Light Duty Zero Emission Vehicle Supply Equipment
Reporting Period Covered	1/01/2026-6/30/2026

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	\$564,612.81	\$321,876.02	\$886,488.83	\$538,612.81
Administrative Costs (Program planning, development, outreach, administration)	\$49,954.56	\$0	\$49,954.56	\$49,954.56
Project Totals	\$614,567.37	\$321,876.02	\$936,443.39	\$588,567.37

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 19 dual-port Level 2 stations, five single-port Level 2 stations, and three Level 3 fast-charging stations for a total of \$264,156. Grant agreements were signed with 13 of the applicants and two applicants declined the awards. Twelve of the agreements have been successfully closed out and funding released after completion of all project activities. One agreement was allowed to expire in June 2026 without completion of the project; no funds were expended as part of the agreement.

DEQ made awards to five FCYR applicants. One award was rescinded, and two signed agreements were terminated. A new agreement was signed with an applicant that stepped aside for the applicant that later terminated its agreement. All three awards have been completed by GBP Enterprises, Flathead Electric Cooperative, and Missoula Electric Cooperative; funds released, and agreements closed. The agreements with NorthWestern Energy and Town Pump were terminated due to failure to perform.

Beneficiary	Montana Department of Environmental Quality
Eligible Mitigation Action Title	EMA 10: Diesel Emission Reduction Act (DERA) Option
Reporting Period Covered	1/01/2026-6/30/2026

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	\$47,390.00
Project Totals	\$315,931.00	\$2,537,626.23	\$2,853,557.23	\$315,931.00

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.