

APPENDIX D-4
Beneficiary Eligible Mitigation Action Certification

BENEFICIARY ELIGIBLE MITIGATION ACTION CERTIFICATION

Beneficiary Commonwealth of Kentucky

Lead Agency Authorized to Act on Behalf of the Beneficiary Energy & Env. Cabinet, Office of Energy Policy
(Any authorized person with delegation of such authority to direct the Trustee delivered to the Trustee pursuant to a Delegation of Authority and Certificate of Incumbency)

Action Title:	2. Class 4-8 School Bus, Shuttle Bus, or Transit Bus (Eligible Buses)
Beneficiary's Project ID:	Bus Replacement Program
Funding Request No.	(sequential) 03
Request Type: (select one or more)	☐ Reimbursement ☒ Advance ☐ Other (specify): _____
Payment to be made to: (select one or more)	☒ Beneficiary ☐ Other (specify): _____
Funding Request & Direction (Attachment A)	☒ Attached to this Certification ☐ To be Provided Separately

SUMMARY

Eligible Mitigation Action ☒ Appendix D-2 item (specify): <u>2. Class 4-8 School Bus, Shuttle Bus, or Transit Bus (Eligible Buses)</u> Action Type ☐ Item 10 - DERA Option (5.2.12) (specify and attach DERA Proposal): _____
Explanation of how funding request fits into Beneficiary's Mitigation Plan (5.2.1): See attachment G
Detailed Description of Mitigation Action Item Including Community and Air Quality Benefits (5.2.2): See attachment G
Estimate of Anticipated NOx Reductions (5.2.3): See attachment G
Identification of Governmental Entity Responsible for Reviewing and Auditing Expenditures of Eligible Mitigation Action Funds to Ensure Compliance with Applicable Law (5.2.7.1): See attachment D
Describe how the Beneficiary will make documentation publicly available (5.2.7.2). Every entity receiving funding under the Mitigation Fund are identified on the Kentucky Energy & Environment Cabinet Volkswagen website.
Describe any cost share requirement to be placed on each NOx source proposed to be mitigated (5.2.8). See attachment B and G
Describe how the Beneficiary complied with subparagraph 4.2.8, related to notice to U.S. Government Agencies (5.2.9). See attachment G

If applicable, describe how the mitigation action will mitigate the impacts of NOx emissions on communities that have historically borne a disproportionate share of the adverse impacts of such emissions (5.2.10).
See attachment G

ATTACHMENTS
(CHECK BOX IF ATTACHED)

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|-------------------------------------|---------------------|---|
| ☒ | Attachment A | Funding Request and Direction. |
| ☒ | Attachment B | Eligible Mitigation Action Management Plan Including Detailed Budget and Implementation and Expenditures Timeline (5.2.4). |
| ☒ | Attachment C | Detailed Plan for Reporting on Eligible Mitigation Action Implementation (5.2.11). |
| ☒ | Attachment D | Detailed cost estimates from selected or potential vendors for each proposed expenditure exceeding \$25,000 (5.2.6). [Attach only if project involves vendor expenditures exceeding \$25,000.] |
| ☐ | Attachment E | DERA Option (5.2.12). [Attach only if using DERA option.] |
| ☐ | Attachment F | Attachment specifying amount of requested funding to be debited against each beneficiary's allocation (5.2.13). [Attach only if this is a joint application involving multiple beneficiaries.] |

CERTIFICATIONS

By submitting this application, the Lead Agency makes the following certifications:

1. This application is submitted on behalf of Beneficiary Commonwealth of Kentucky, and the person executing this certification has authority to make this certification on behalf of the Lead Agency and Beneficiary, pursuant to the Certification for Beneficiary Status filed with the Court.
2. Beneficiary requests and directs that the Trustee make the payments described in this application and Attachment A to this Form.
3. This application contains all information and certifications required by Paragraph 5.2 of the Trust Agreement, and the Trustee may rely on this application, Attachment A, and related certifications in making disbursements of trust funds for the aforementioned Project ID.
4. Any vendors were or will be selected in accordance with a jurisdiction's public contracting law as applicable. (5.2.5)
5. Beneficiary will maintain and make publicly available all documentation submitted in

support of this funding request and all records supporting all expenditures of eligible mitigation action funds subject to applicable laws governing the publication of confidential business information and personally identifiable information. (5.2.7.2)

DATED: 6/16/2026



[Kenya Stump]
[Executive Director]

EEC

[LEAD AGENCY]

for

Kentucky

[BENEFICIARY]

ATTACHMENT B

Eligible Mitigation Action Management Plan Including Detailed Budget and Implementation Expenditures Timeline *School Bus and Transit Bus Replacement Program*

Milestone	Date
HB 352 (2020 Regular Session) became effective, establishing Kentucky's plan for administering and expending Trust Funds.	July 1, 2020
Kentucky Beneficiary Mitigation Plan finalized and submitted to the Trustee by the Office of Energy Policy.	June 1, 2020
Office of Transportation Delivery began coordinating with transit agencies on transit bus replacement applications.	July 1, 2020
Office of Energy Policy hosted a webinar on the School Bus and Transit Bus Replacement Programs.	September 9, 2020
School Bus Replacement Program application period closed.	October 9, 2020
School districts were notified of project approvals and reimbursement amounts.	October 2020
Office of Energy Policy requested Trust Funds for approved bus replacement projects.	September 21, 2021
Office of Energy Policy contacted all eligible school districts to identify remaining replacement projects and opened a final application period.	May 8, 2026
Applications were accepted on a first-come, first-served basis; however, all but one remaining school bus failed to meet the daily-use requirements established by the Kentucky General Assembly.	May 8–22, 2026
Office of Energy Policy identified additional buses that met Trust requirements but did not state legislative requirements and determined they could be funded through interest earnings.	May 26, 2026
Office of Energy Policy approved replacement of the final eligible bus under the state's requirements for replacement. This award was given to Breckinridge County and is being funded with funds from our first draw request.	June 2, 2026
Funding is awarded to Lextran (1 transit bus), Graves County Schools (1 school bus), and Taylor County Schools (3 school buses). These are the projects outlined within this draw request.	June 4, 2026
Office of Energy Policy requests funds from the Trust for the 5 school buses.	July 2026
Office of Energy Policy begins reviewing reimbursement requests for vehicle purchases and reimbursing awarded entities.	Q4 2026
Project completion and final reporting anticipated.	Q1 2027

ATTACHMENT B (continued)
Detailed Budget
Approved Transit Bus Replacements

Entity	Number of Buses	Total Project Costs	Cost Share	Funds Used from Previous Draw Request	Funds Requested for these Projects
Taylor County	3	\$464,400.00	\$ -	\$112,947.91	\$351,452.09
Graves County	1	\$151,793.00	\$ -	\$ -	\$151,793.00
LexTran	1	\$856,599.00	\$ -	\$892	\$855,707.00
Whitley County	1	\$220,577.00	\$ 56,872.76	\$ -	\$163,704.24

Total Funding Request = \$1,522,656.33

Volkswagen Expenditure Overview

Initial Allocation	\$ 20,378,649.58
D4 Draw #1 (School Bus Program)	\$ 8,660,950.00
Amount Spent from Draw #1 (Transit Bus Program)	\$ 7,972,196.00
D4 Draw #2 (Transit Bus Program)	\$ 8,577,400.00
Amount Spent from Draw #2	\$ 8,520,808.00
Interest Balance as of 6/16/2026	\$ 1,693,007.94
Amount Remaining (including interest)	\$ 5,496,651.43
Amount Requested for School/Transit Buses – Draw #3	\$ 1,522,656.33
Amount Planned to be Requested for Light Duty ZEVSE - Draw #4	\$ 3,310,651.19
Anticipated Amount Spent from Previous Draw Requests	\$ 190,565.91
Anticipated Amount Remaining by October 2028	\$ 472,778

We anticipate that we will have \$472,778 of unspent funding from Draw #2. The program requirements set forth by the KY legislature require a school bus to have a chassis year of 2001 or earlier and to be in current daily use. The Office of Energy Policy has been unable to locate a school bus meeting these requirements.

ATTACHMENT C

DETAILED PLAN FOR REPORTING ON ELIGIBLE MITIGATION ACTION IMPLEMENTATION (5.2.11)

After being named by the Governor as Kentucky's Lead Agency, the Energy and Environment Cabinet created a web site specific to information associated with the administration of the Environmental Mitigation Trust Funds and all activities associated with administering those funds in the Commonwealth.

This site has been used to report on the development of and final Beneficiary Mitigation Plan (BMP) developed by the Commonwealth, as well as the entities chosen to receive funding under each activity outlined in the BMP.

This site is used to provide the public with a comprehensive, transparent accounting of the information on funding, as well as the information being submitted by the chosen entities and funds distributed in the state.

The semi-annual reports associated with each activity will be posted on this dedicated web site as the reports are submitted to the Trustee.

All information from entities receiving funds under this trust, reimbursements made, will be posted on the web site.

Kentucky's BMP

The Kentucky Energy and Environment Cabinet, Office of Energy Policy, will provide detailed reporting on this Environmental Mitigation Trust project in two ways:

1. Timely updates to Kentucky EEC Volkswagen Diesel Settlement public-facing webpage which can be accessed at <https://eec.ky.gov/Energy/Programs/Pages/Volkswagen-Settlement.aspx>.
2. Kentucky's semi-annual Beneficiary Reporting Obligations to Wilmington Trust (the "Trustee").

The Commonwealth of Kentucky's Beneficiary Mitigation Plan and all documentation and records submitted by the Beneficiary in support of each funding request to the Trustee is and will be available to the public on the agency webpage. The webpage will be updated with the latest information to inform the general public about the project's status as well as when these projects have been completed. Kentucky shall comply with Subparagraph 5.3 of the Environmental Mitigation Trust Agreement for State Beneficiaries, which details the following

Beneficiary Reporting Obligations:

- For each Eligible Mitigation Action, no later than six months after receiving its first disbursement of Trust Assets, and thereafter 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, each Beneficiary shall submit to the Trustee a semiannual report describing 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). Such reports shall include a complete description of the status (including actual or projected termination date), development, implementation, and any modification of each approved Eligible Mitigation Action. Beneficiaries may group multiple Eligible Mitigation Actions and multiple sub beneficiaries into a single report. These reports shall be signed by an official with the authority to submit the report for the Beneficiary and must contain an attestation that the information is true and correct and that the submission is made under penalty of perjury. To the extent a Beneficiary avails itself of the DERA Option described in Appendix D-2, that Beneficiary may submit its DERA Quarterly Programmatic Reports in satisfaction of its obligations under this Paragraph as to those Eligible Mitigation Actions funded through the DERA Option. The Trustee shall post each semiannual report on the State Trust's public facing website upon receipt.
- In order to be reimbursed for replacement buses, the transit authority or school district must provide proof that the invoice for the new bus has been paid and provide proof of the existing bus(s) having been scrapped.
- Information on awardees under both the Transit and School Bus Replacement Programs has been posted on the Cabinet VW website since the awards were made through the Kentucky Transportation Cabinet and are being provided to the Trustee with the submittal of this document.

ATTACHMENT D

DETAILED COST ESTIMATES FROM SELECTED OR POTENTIAL VENDORS FOR EACH PROPOSED EXPENDITURE EXCEEDING \$25,000

The potential amounts for reimbursements to the subrecipient under the Transit Bus Replacement Program are included with this documentation to the Trustee, along with the number of buses to be replaced. Detailed cost invoices for the eligible Transit Bus Replacement will be provided to the Trustee with the semi-annual reports, documented on the cabinet's website devoted to the Kentucky portion of the Volkswagen Trust.

All vendors were or will be selected in accordance with applicable state public contracting laws. The Office of Energy Policy is responsible for reviewing and auditing expenditures of Eligible Mitigation Action funds to ensure compliance with applicable laws.

BENEFICIARY ELIGIBLE MITIGATION ACTION CERTIFICATION SUMMARY

ATTACHMENT G

5.2.1 – Explanation of how funding request fits into Beneficiary’s Mitigation Plan

Section E.1 states that the Commonwealth will allocate \$8,521,700 to eligible Transit Bus Replacement Projects and \$8,521,700 to eligible school buses. Eligible buses include 2009 engine model year or older transit buses and 2001 or older school buses. Eligible buses must be scrapped. Eligible buses may be repowered with any new diesel or alternate fueled or all-electric engine or may be replaced with any new diesel or alternate fueled or all-electric vehicle, with the engine model year in which the eligible bus mitigation occurs or one engine model year prior.

5.2.2 – Detailed Description of Mitigation Action Item Including Community and Air Quality Benefits

Kentucky, through working with the Office of Transportation Delivery, will fund the replacement of one older diesel bus operating in an area of the state that has historic air quality issues. Kentucky’s BMP outlined that all efforts would be made to prioritize funding in these areas of the state. Replacement buses will be fueled using CNG. Providing new, cleaner buses will help reduce street-level exhaust emissions.

Additionally, we will fund the replacement of six (6) school buses that are years 2001 or older resulting in cleaner buses that will help reduce street-level exhaust emissions.

5.2.3 – Estimate of Anticipated NOx Reductions

Based on estimates provided by the transit agency being funded, replacing the transit bus with a cleaner CNG bus will result in an estimated 3.7 tpy of emission reductions. These emission reductions were calculated using the U.S. Environmental Protection Agency’s (EPA) Diesel Emissions Quantifier Tool.

Based on estimates provided by the school districts, the replacement of these school buses will result in an estimated 4.2 tpy of emissions reductions.

5.2.7.2 – Describe how the Beneficiary will make Documentation Publicly Available

Please see Attachment C outlining how Kentucky will make information and documentation publicly available.

5.2.8 – Describe any Cost share requirement to be placed on each NOx source proposed to be mitigated.

The requests for proposals were approved on a first come first serve basis with the understanding that any projects that cannot be fully funded would be funded pro rata reduced. We funded four projects that are listed as awarded in Attachment B without a cost share requirement. We funded the fifth project, with Whitley County School District, pro rata reduced with the remaining bus funding outlined in our Mitigation Plan.

5.2.9 – A description of how the Beneficiary complied with subparagraph 4.2.8.

The Commonwealth of Kentucky satisfied the requirements of Section 4.2.8, Notice of Availability of Mitigation Action Funds, by providing notice of the Volkswagen Environmental Mitigation Trust Agreement and its attachments to relevant federal agencies with custody, control, or management of lands within or contiguous to the Commonwealth's boundaries. The notice informed these agencies that they may request Eligible Mitigation Action funding for projects located on federally managed lands and outlined the procedures by which such requests would be reviewed, considered, and addressed through a written determination by the Commonwealth. This notification was completed within the required timeframe following Kentucky's designation as a Beneficiary under the Trust Agreement.

5.2.10 – If applicable, describe how the mitigation action will mitigate the impacts of NOx emission on communities that have historically borne a disproportionate share of the adverse impacts of such emissions.

Providing new, cleaner buses will help reduce street-level exhaust emissions in the city of Lexington and will enhance environmental justice in those neighborhoods. As stated previously, the funding authorized for the replacement of transit buses in Kentucky will be used in areas of the state currently experiencing, or having experienced, air quality issues in the past.

Further, the school bus replacement projects in this D-4 submission will provide emission reductions at schools and bus stops, where children can be most impacted by diesel exhaust emissions. Replacing older diesel buses providing student transportation on a daily basis lowers the Nox emissions associated with ozone formation and will also impact the emission of PM2.5 and toxic emissions from older diesel engines.