



2020 North Dakota Department of Environmental Quality Volkswagen Settlement Emission Mitigation Program Application Guidance (Year 2)

The guidance provided in this document is based on the information and requirements of the Environmental Mitigation Trust Agreement for State Beneficiaries, filed October 2, 2017, and North Dakota's Mitigation Plan for the Volkswagen Environmental Mitigation Trust Agreement. This document is intended to be a guide to assist in applying for Volkswagen Settlement funding from the North Dakota Department of Environmental Quality (NDDEQ). Details not addressed in this guidance document are still applicable per settlement requirements. The trust agreement document can be found at:

https://www.vwenvironmentalmitigationtrust.com/sites/default/files/2018-05/Final%20Filed%20Dkt%2051-1%20%20State%20Beneficiary%20Trust%20Agreement_0.pdf

Information about the Volkswagen Settlement in North Dakota as well as the State's mitigation plan can be found at:

<https://deq.nd.gov/AQ/planning/VW.aspx>

Introduction

North Dakota's allocation of the Environmental Mitigation Trust Fund for the Volkswagen Settlement is \$8,125,000. The primary goal of the settlement is to reduce NO_x emissions. As the designated "Beneficiary" for the State of North Dakota, the NDDEQ will administer a program to complete projects that reduce NO_x emissions from mobile sources of air pollution. The eligible projects for this application period will primarily include the replacement or repower of diesel-powered vehicles and equipment.

***Please note, a maximum of 15% of a beneficiary's total allocation may be used to fund light duty zero emission vehicle supply equipment projects (Category 9, EV charging stations). Approximately 14.7% was awarded for these projects during the first year of North Dakota's program. Therefore, an application for this category will not be available this year. Any funds remaining in this category upon completion of the projects currently funded may be made available in future funding opportunities.**

The Volkswagen Settlement allows Beneficiaries (the NDDEQ) to request up to one-third of their total allocation during the first year of the program, or up to two-thirds of the allocation during the first two years of the program to complete eligible mitigation projects. In addition, the Volkswagen Settlement funding was required to be included in the NDDEQ's proposed budget for the 2019 North Dakota legislative session. Upon completion of the session, the Legislature determined that the NDDEQ's spending authority for the program will be \$5,399,529 over the first two years of the program. Therefore, the NDDEQ has

approximately \$2,700,000 available each year to fund projects during the first two years of the program.

This is an annual, competitive application process. Upon being selected for project funding, applicants will enter into a contract with the NDDEQ. The contract will state the amount awarded and include any additional necessary conditions. Applicants selected for funding will have two years to complete their project(s).

Who Can Apply

Eligible applicants include Government and Non-Government entities. For this program, Government shall mean a State or local government agency (including a school district, municipality, city, county, special district, transit district, joint powers authority, or port authority, owning fleets purchased with government funds). Non-Government entities include for profit businesses and non-profit organizations identified as having a tax-exempt declaration from the Internal Revenue Service.

Eligible Projects

Applicants may request funds from the Environmental Mitigation Trust for projects that fit into one of the eligible mitigation action categories. The goal of each eligible category is to reduce NO_x emissions. As outlined in North Dakota's Mitigation Plan, the following mitigation action categories will be eligible for funding during the second year of the program:

Category	Eligible Mitigation Action
1	Class 8 Eligible Large Trucks
2	Class 4-8 Eligible Buses
3	Freight Switchers
6	Class 4-7 Eligible Medium Trucks
7	Airport Ground Support Equipment
8	Forklifts and Port Cargo Handling Equipment

When requesting funds for your proposal, please state the correct amount based on the reimbursement allowed for each category.

Details of each category and the reimbursement rates associated with each project is outlined as follows:

Category 1 – Local Freight Trucks and Port Drayage Trucks (Large Trucks)

- Repower or replacement of vehicles 33,001 pounds and larger.
- Eligible large trucks include 1992–2009 engine model year Class 8 vehicles.
- Examples include, but may not be limited to cement mixers, dump trucks, fire trucks, and large (tour type) buses.
- Long haul trucks are *not* eligible under this mitigation action.

- The replaced large truck must be scrapped.
- Replaced engines must be scrapped.
- Eligible large trucks may be repowered or replaced with any new diesel, alternate fuel, or all electric vehicle, with an engine model year in which the mitigation action occurs or one engine model year prior.
- For ***non-Government owned*** eligible Class 8 Local Freight Trucks, the reimbursement rates are as follows:
 - i. Up to 20% of the cost of a repower with a new diesel or alternate fueled (e.g. CNG, propane, hybrid) engine, including the costs of installation of such engine
 - ii. Up to 13% of the cost of a new diesel or alternate fueled (e.g. CNG, propane, hybrid) vehicle
 - iii. Up to 38% of the cost of a repower with a new all-electric engine, including the costs of installation of such engine, and charging infrastructure associated with the new all-electric engine
 - iv. Up to 38% of the cost of a new all-electric vehicle, including charging infrastructure associated with the new all-electric vehicle
- For ***non-Government owned*** eligible Class 8 Drayage Trucks, the reimbursement rates are as follows:
 - i. Up to 20% of the cost of a repower with a new diesel or alternate fueled (e.g. CNG, propane, hybrid) engine, including the costs of installation of such engine
 - ii. Up to 25% of the cost of a new diesel or alternate fueled (e.g. CNG, propane, hybrid) vehicle
 - iii. Up to 38% of the cost of a repower with a new all-electric engine, including the costs of installation of such engine, and charging infrastructure associated with the new all-electric engine
 - iv. Up to 38% of the cost of a new all-electric vehicle, including charging infrastructure associated with the new all-electric vehicle
- For ***Government owned*** eligible Class 8 Large Trucks, the reimbursement rates are as follows:
 - i. Up to 50% of the cost of a repower with a new diesel or alternate fueled (e.g. CNG, propane, hybrid) engine, including the costs of installation of such engine
 - ii. Up to 50% of the cost of a new diesel or alternate fueled (e.g. CNG, propane, hybrid) vehicle

- iii. Up to 50% of the cost of a repower with a new all-electric engine, including the costs of installation of such engine, and charging infrastructure associated with the new all-electric engine
- iv. Up to 50% of the cost of a new all-electric vehicle, including charging infrastructure associated with the new all-electric vehicle

Category 2 - Class 4–8 School Bus, Shuttle Bus, or Transit Bus (Eligible Buses)

- Repower or replacement of Class 4–8 school, shuttle, or transit buses 14,001 pounds and larger.
- Eligible buses include those with an engine model year 2009 and older.
- The replaced bus must be scrapped.
- Replaced engines must be scrapped.
- Eligible buses may be repowered or replaced with any new diesel, alternate fuel, or all electric bus, with an engine model year in which the mitigation action occurs or one engine model year prior.
- For ***non-Government owned*** eligible buses, the reimbursement rates are as follows:
 - i. Up to 20% of the cost of a repower with a new diesel or alternate fueled (e.g. CNG, propane, hybrid) engine, including the costs of installation of such engine
 - ii. Up to 13% of the cost of a new diesel or alternate fueled (e.g. CNG, propane, hybrid) vehicle
 - iii. Up to 38% of the cost of a repower with a new all-electric engine, including the costs of installation of such engine, and charging infrastructure associated with the new all-electric engine
 - iv. Up to 38% of the cost of a new all-electric vehicle, including charging infrastructure associated with the new all-electric vehicle
- For ***Government owned*** eligible buses, and privately-owned school buses under contract with a public school district, the reimbursement rates are as follows:
 - i. Up to 50% of the cost of a repower with a new diesel or alternate fueled (e.g. CNG, propane, hybrid) engine, including the costs of installation of such engine
 - ii. Up to 50% of the cost of a new diesel or alternate fueled (e.g. CNG, propane, hybrid) vehicle
 - iii. Up to 50% of the cost of a repower with a new all-electric engine, including the costs of installation of such engine, and charging infrastructure associated with the new all-electric engine

- iv. Up to 50% of the cost of a new all-electric vehicle, including charging infrastructure associated with the new all-electric vehicle

Category 3 - Freight Switchers

- Repower or replacement of pre-Tier 4 switcher locomotives that operate 1,000 or more hours per year.
- The replaced freight switcher must be scrapped.
- Replaced engines must be scrapped.
- Eligible freight switchers may be repowered or replaced with any new diesel, alternate fueled, or all engine(s) (including generator sets), or may be replaced with any new diesel or alternate fueled or all-electric (including generator sets) freight switcher, that is certified to meet the applicable EPA emissions standards (or other more stringent equivalent State standard) as published in the CFR for the engine model year in which the eligible freight switcher mitigation action occurs.
- For **non-Government owned** freight switchers, the reimbursement rates are as follows:
 - i. Up to 20% of the cost of a repower with a new diesel or alternate fueled (e.g. CNG, propane, hybrid) engine(s) or generator sets, including the costs of installation of such engine
 - ii. Up to 13% of the cost of a new diesel or alternate fueled (e.g. CNG, propane, hybrid) freight switcher
 - iii. Up to 38% of the cost of a repower with a new all-electric engine(s), including the costs of installation of such engine(s), and charging infrastructure associated with the new all-electric engine(s)
 - iv. Up to 38% of the cost of a new all-electric freight switcher, including charging infrastructure associated with the new all-electric freight switcher
- For **Government owned** eligible freight switchers, the reimbursement rates are as follows:
 - i. Up to 50% of the cost of a repower with a new diesel or alternate fueled (e.g. CNG, propane, hybrid) engine(s) or generator sets, including the costs of installation of such engine(s)
 - ii. Up to 50% of the cost of a new diesel or alternate fueled (e.g. CNG, propane, hybrid) freight switcher
 - iii. Up to 50% of the cost of a repower with a new all-electric engine(s), including the costs of installation of such engine(s), and charging infrastructure associated with the new all-electric engine(s)

- iv. Up to 50% of the cost of a new all-electric freight switcher, including charging infrastructure associated with the new all-electric freight switcher

Category 6 - Class 4–7 Local Freight Trucks (Medium Trucks)

- Repower or replacement of vehicles 14,001 to 33,000 pounds
- Eligible medium trucks include 1992–2009 engine model year Class 4–7 vehicles.
- Examples include, but may not be limited, to delivery/walk in vehicles, bucket trucks, fuel delivery trucks, garbage trucks, and city transit buses.
- The replaced medium truck must be scrapped.
- Replaced engines must be scrapped.
- Eligible medium trucks may be repowered or replaced with any new diesel, alternate fuel, or all electric vehicle, with an engine model year in which the mitigation action occurs or one engine model year prior.
- For ***non-Government owned*** eligible medium trucks, the reimbursement rates are as follows:
 - i. Up to 20% of the cost of a repower with a new diesel or alternate fueled (e.g. CNG, propane, hybrid) engine, including the costs of installation of such engine
 - ii. Up to 13% of the cost of a new diesel or alternate fueled (e.g. CNG, propane, hybrid) vehicle
 - iii. Up to 38% of the cost of a repower with a new all-electric engine, including the costs of installation of such engine, and charging infrastructure associated with the new all-electric engine
 - iv. Up to 38% of the cost of a new all-electric vehicle, including charging infrastructure associated with the new all-electric vehicle
- For ***Government owned*** eligible medium trucks, the reimbursement rates are as follows:
 - i. Up to 50% of the cost of a repower with a new diesel or alternate fueled (e.g. CNG, propane, hybrid) engine, including the costs of installation of such engine
 - ii. Up to 50% of the cost of a new diesel or alternate fueled (e.g. CNG, propane, hybrid) vehicle
 - iii. Up to 50% of the cost of a repower with a new all-electric engine, including the costs of installation of such engine, and charging infrastructure associated with the new all-electric engine

- iv. Up to 50% of the cost of a new all-electric vehicle, including charging infrastructure associated with the new all-electric vehicle

Category 7 - Airport Ground Support Equipment

- Repower or replacement of Tier 0, Tier 1, or Tier 2 diesel powered airport ground support equipment, and uncertified or certified to 3 g/bhp-hr or higher emissions, spark ignition engine power airport ground support equipment.
- The replaced airport ground support equipment must be scrapped.
- Eligible airport ground support equipment may be repowered with an all-electric engine or may be replaced with the same airport ground support equipment in an all-electric form.
- For ***non-Government owned*** eligible airport ground support equipment, the reimbursement rates are as follows:
 - i. Up to 38% of the cost of a repower with a new all-electric engine, including the costs of installation of such engine, and charging infrastructure associated with the new all-electric engine
 - ii. Up to 38% of the cost of a new all-electric airport ground support equipment, including charging infrastructure associated with the new all-electric ground support equipment
- For ***Government owned*** eligible airport ground support equipment, the reimbursement rates are as follows:
 - i. Up to 50% of the cost of a repower with a new all-electric engine, including the costs of installation of such engine, and charging infrastructure associated with the new all-electric engine
 - ii. Up to 50% of the cost of a new all-electric airport ground support equipment, including charging infrastructure associated with the new all-electric airport ground support equipment

Category 8 - Forklifts and Port Cargo Handling Equipment

- Eligible forklifts include forklifts with greater than 8,000 pounds of lift capacity.
- The replaced forklifts and port cargo handling equipment must be scrapped.
- Eligible forklifts and port cargo handling equipment may be repowered with an all-electric engine or may be replaced with the equipment in an all-electric form.
- For ***non-Government owned*** eligible forklifts and port cargo handling equipment, the reimbursement rates are as follows:
 - i. Up to 38% of the cost of a repower with a new all-electric engine, including the costs of installation of such engine, and charging infrastructure associated with the new all-electric engine

- ii. Up to 38% of the cost of a new all-electric forklift or port cargo handling equipment, including charging infrastructure associated with the new all-electric forklift or port cargo handling equipment
- For **Government owned** eligible forklifts and port cargo handling equipment, the reimbursement rates are as follows:
 - i. Up to 50% of the cost of a repower with a new all-electric engine, including the costs of installation of such engine, and charging infrastructure associated with the new all-electric engine
 - ii. Up to 50% of the cost of a new all-electric forklift or port cargo handling equipment, including charging infrastructure associated with the new all-electric forklift or port cargo handling equipment

Scoring

The NDDEQ will utilize a competitive approach in selecting projects to be funded. Project proposals will be evaluated in terms of the goals and requirements of the settlement. The projects to be considered must fall into one of the eligible mitigation action categories and will be evaluated based upon the scoring systems outlined in the application forms.

Scrapping Requirements

The completion of an eligible vehicle replacement and/or engine repower project requires the scrapping of an old vehicle or engine per settlement requirements. Use of funds from this program to expand an existing fleet is not allowed. Scrapping means to render inoperable and available for recycle, and, at a minimum, to specifically cut a 3-inch hole in the engine block for all engines. If any vehicles are replaced as part of an eligible project, scrapping shall also include the disabling of the chassis by cutting the vehicle's frame rails completely in half. The item being replaced shall be scrapped within 90 days of receiving the new item purchased with settlement funds. Submission of a certification of scrapping form will be required prior to receiving reimbursement. The form will be provided by the NDDEQ.

Schedule of Events

The following represents the NDDEQ's estimate of the schedule of events for implementing the program.

Application Deadline	November 6, 2020, 5:00 PM CST
Application Evaluation Process	November 2020
NDDEQ Notifies Recipients of Award	November-December 2020
Project and Budget Period	2 years following the award date
End Date	2 years after the award date

How to Apply

The application is available on the NDDEQ's website:

<https://deq.nd.gov/AQ/planning/VW.aspx>.

When filling out and submitting your application, please include all required supplemental information requested in each application. Each application will state what is required.

All applications must be received by the NDDEQ by 5:00 pm CST on November 6, 2020 to be considered.

Applications may be submitted to the address below:

North Dakota Department of Environmental Quality
Air Quality Division
918 E. Divide Ave., 2nd Floor
Bismarck, ND 58501

Applications may also be emailed to airquality@nd.gov.

If you have any questions, please contact either Angela Seligman (aseligman@nd.gov) or Keith Hinnenkamp (khinnenk@nd.gov) via email or phone (701-328-5188).

Receiving Reimbursement

Upon project completion, the following must be submitted to the NDDEQ to receive reimbursement:

1. Invoice for new item(s) purchased.
2. Certification of scrappage for replaced item(s) (NDDEQ will provide form).
3. Photos as follows:
 - a. Side profile of vehicle(s) being scrapped
 - b. VIN plate of the vehicle(s) being scrapped
 - c. Engine tag of the vehicle(s)/engine(s) being scrapped showing the engine serial number and EPA engine family name
 - d. Vehicle(s) chassis rails cut in half
 - e. Engine block(s) prior to hole being drilled or engine destruction
 - f. Engine block(s) after hole has been drilled or engine destruction

Photos must be submitted as jpeg files. Submit only the requested photos. Do not submit extras.