

Volkswagen Settlement Fund Vehicle Replacement Program

Application Guide



**State of Idaho
Department of Environmental Quality
Air Quality Division
1410 N Hilton
Boise, ID 83706**

November 2018

Applications due by January 31, 2019

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General Information

The Idaho Department of Environmental Quality (DEQ) is accepting applications for Volkswagen (VW) Settlement Environmental Mitigation Funds to offset air pollution emitted by vehicles that violated the Clean Air Act. This annual, competitive application process will provide reimbursement for a percentage of the cost of eligible vehicle replacements. The mitigation funds are held in a trust and the state may request no more than one-third of the funding the first year, or two-thirds of the funding during the first 2 years.

To be considered for funding in this 2018 cycle, completed applications must be received by January 31, 2019.

If you have questions or need assistance with the required information, contact G. Michael Brown at (208) 373-0232 or g.michael.brown@deq.idaho.gov before the application deadline.

How to Apply

Before submitting an application for funding, DEQ recommends all applicants review the sections of Appendix D-2 (page 52) in the Environmental Mitigation Trust Agreement for State Beneficiaries that will apply to their funding request, along with Idaho's Beneficiary Mitigation Plan at www.deq.idaho.gov/media/60181462/volkswagen-beneficiary-mitigation-plan.pdf.

Applications should be completed electronically using Adobe Reader or Acrobat. The application must be signed by the individual responsible for authorizing and overseeing completion of the project. Electronic signatures are acceptable so long as it is an image or reproduction of the signatory's actual signature. Submit applications to vwsettlement@deq.idaho.gov, or mail to the following address:

Idaho Department of Environmental Quality
Attn: VW Settlement Fund Application; G. Michael Brown
1410 N. Hilton Street
Boise, ID 83706

Incomplete applications will not be considered. This application and any supplemental information provided will be evaluated to determine which projects are selected. DEQ may contact you or your organization for clarification and/or supplemental information; please ensure the contact information provided is accurate. Applicants must respond to any request within 10 calendar days. **Applications must be postmarked by January 31, 2019, to be considered.** Approval/denial letters will be mailed to the applicants at the address provided on the application.

2018 VW Settlement Eligibility and Requirements

Applicant Eligibility

- Eligible applicants include government and nongovernment diesel vehicle owners (airport ground support equipment may also include spark ignition/gasoline engines).

- Applicants may submit applications for reimbursement for up to 10 eligible replacement vehicles.
- DEQ may award reimbursement funds for a portion of the number of vehicles or a portion of the vehicle cost applied for.

Project Eligibility

- Existing vehicle requirements include the following:
 - Diesel powered (airport ground support equipment may also include spark ignition/gasoline engines).
 - Gross vehicle weight rating (GVWR) for on-road vehicles of 14,001 pounds (lb) or above.
 - Able to start and move in all directions and have all operational parts.
 - Used in current applicant's business operations.
 - Must have a copy of vehicle/equipment title and current registration, as applicable, for each vehicle to be replaced.
- New vehicles criteria include the following:
 - Engine model year of new vehicle must be the year the vehicle is purchased or one year prior.
 - Replacement vehicles must be of similar size and used for a similar purpose as the replaced vehicle.

Requirements

- For complete requirements and conditions, refer to
 - Volkswagen State Trust Appendix D-2 (State Trust) at www.vwcourtsettlement.com/wp-content/uploads/documents/DOJ/Approved%20Appendix%20D-2.pdf.
 - The final vehicle replacement agreement between the applicant and DEQ will also include a Terms and Conditions attachment which will expand on the requirements listed below.
 - Standards of Responsibility: the DEQ may, in its sole discretion, conduct additional due diligence to ensure the applicants' fiscal responsibility, experience, and necessary technical, managerial, and financial capability to execute proposed projects.
- Existing vehicles must be scrapped/rendered inoperable and documented as such to receive reimbursement funds. Scrappage is described in Appendix D-2 of the State Trust as:

“Scrapped” shall mean 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 Eligible Vehicle will be replaced as part of an Eligible project, Scrapped shall also include the disabling of the chassis by cutting the vehicle's frame rails completely in half.
- Proof of purchase for the new vehicle is required within 90 days of the date on the approval letter.
 - Date of the purchase cannot predate the approval letter date.
 - Proof of purchase may be a procurement request, purchase order, or any other document that clearly shows a transaction is initiated.

- All projects must be completed within 3 years. If after 3 years a project has not been completed, unless delays have been coordinated with DEQ, funds will no longer be guaranteed for the project, and the applicant will need to reapply.
- Project funds are provided only after the new vehicle has been purchased, the existing vehicle has been appropriately scrapped, and all required documentation has been submitted to DEQ.
- Applicants must maintain ownership of the replacement vehicle for three years after receipt of the reimbursement. If the replacement vehicle is sold before the end of the three-year period, or used for purposes other than as described in the application, the applicant may be required to return up to the full amount of the reimbursement. The amount required to be returned is at the discretion of the DEQ and will be determined on a case-by-case basis.
- DEQ will conduct random reviews of applicants to ensure settlement funds are spent in compliance with settlement requirements. DEQ may request copies of reimbursement documents or may request documentation from selectees to verify statements made on the application and payment forms. DEQ may also conduct site visits to confirm documentation is on hand and that the replacement vehicles are still in service.
 - Selectees are expected to comply with site visit requests.
 - Selectees must retain all financial records, supporting documents, accounting books and other evidence of Vehicle Replacement Program activities for three (3) years after receipt of the reimbursement.

Funding Eligibility

For the 2018 funding cycle, DEQ will be funding vehicle replacement projects to cover a percentage of the cost of replacing vehicles. These projects must fall within eligible mitigation actions (EMAs) 1, 2, 3, 6, 7, and 8 (Table 1). Except for airport ground support equipment, only *diesel-fueled* vehicles and equipment are eligible for partial reimbursement of replacement costs.

Table 1. Funding eligibility.

Eligible Mitigation Action	Description	Eligibility
EMA 1	Class 8 local freight trucks and port drayage trucks (eligible large trucks)	Large trucks include 1992–2009 engine model year diesel-powered Class 8 local freight or drayage.
EMA 2	Class 4–8 school buses, shuttle buses, or transit buses (eligible buses)	Buses include 2009 engine model year or older diesel-powered Class 4–8 school buses, shuttle buses, or transit buses.
EMA 3	Freight switchers	Freight switchers include pre-Tier 4 diesel-powered switcher locomotives (manufactured before 2015) that operate 1,000 or more hours per year.
EMA 6	Class 4–7 local freight trucks (medium trucks)	Medium trucks include 1992–2009 engine model year diesel-powered class 4-7 local freight trucks.
EMA 7	Airport ground support equipment	Airport ground support equipment includes the following: 1. Tier 0, Tier 1, or Tier 2 diesel-powered airport ground support equipment 2. Uncertified, or certified to 3 grams per brake horsepower-hour or higher emissions, spark ignition engine powered airport ground support equipment.
EMA 8	Forklifts and port cargo handling equipment	Includes forklifts with greater than 8,000 lb lift capacity.

Notes:

EMA 4—Projects in this category do not include vehicle replacement.

EMA 5—Projects in this category do not include vehicle replacement.

EMA 9—Light duty zero emission vehicle supply equipment is addressed by a separate application package.

EMA 10—Diesel Emission Reduction Act option is addressed by DEQ’s Diesel Emission Reduction Program.

Vehicle classifications are delineated by GVWR. Classifications and examples of these vehicles are listed in Table 2:

Table 2. Vehicle classifications by GVWR.

Classification	Weight (lb)	EPA Emissions Category	Examples
Class 4	14,001–16,000	Light Heavy Duty	<ul style="list-style-type: none"> • School bus • Box truck • Conventional moving truck • City delivery/walk-in van
Class 5	16,001–19,500		<ul style="list-style-type: none"> • School bus • Large city delivery/walk-in van • Bucket truck
Class 6	19,501–26,000	Medium Heavy Duty	<ul style="list-style-type: none"> • School bus • Single axle delivery van • Beverage truck
Class 7	26,001–33,000		<ul style="list-style-type: none"> • School bus • City transit bus • Refuse truck • Furniture delivery truck • Medium semi-tractor
Class 8	>33,001	Heavy Duty	<ul style="list-style-type: none"> • School bus • Tour bus • Fire truck • Dump truck • Cement mixer • Heavy semi-tractor

Reimbursement Funding Levels

DEQ determined reimbursement levels based on typical new vehicle costs. Table 3 provides examples of new vehicle costs for different vehicle types with different vehicle power options.

Table 3. Example of new vehicle pricing.

Vehicle Type	Diesel	Alternate Fuel		All Electric
		Propane	Compressed Natural Gas	
School Bus	\$100,000	\$120,000	\$175,000	\$275,000
Dumper/Sander/Snow	\$95,000 - \$190,000	Unknown	\$120,000 - \$215,000	Unknown
Tractor Trailer/Port Drayage	\$140,000 - \$170,000	Unknown	\$30,000 – \$230,000	\$300,000
Class 4–7 Local Freight	\$60,000 - \$110,000	Unknown	\$100,000 - \$150,000	Unknown
Forklift, Sitting	a	a	a	\$45,000
Forklift, Standing	a	a	a	\$25,000
Port Cargo, Yard Truck	a	a	a	\$250,000
Port Cargo, Gantry/Straddle Carrier	a	a	a	\$800,000
Airport Ground Support	a	a	a	\$30,000
Electric Vehicle Charging Infrastructure	—	—	—	\$200,000

Notes: Example pricing determined through vendor coordination; pricing is for example purposes only and does not suggest limitations for application purposes. (—) indicates not applicable.

^a Ineligible for VW settlement funding unless associated with all-electric replacement equipment/vehicles.

Table 4–Table 7 list the EMAs allowed under the State Trust for the 2018 funding cycle, along with maximum reimbursement levels. When applying for funds for multiple vehicles, applicants must use the funding levels provided in this section when determining the aggregate funding request. DEQ may award reimbursement funds for a portion of the funding value requested on the application.

Table 4. EMA 1—Class 8 local freight trucks and port drayage trucks (eligible large trucks).

Replacement	Diesel	Alternate Fuel	All Electric ^a
Government	40%	40%	45%
Nongovernment	25%	25% ^b	45%

a. DEQ will also fund 45% of the cost of infrastructure for charging new all-electric vehicles.

b. 40% for Drayage.

Table 5. EMA 2—Class 4-8 school buses, shuttle buses, or transit buses (eligible buses).

Replacement	Diesel	Alternate Fuel	All Electric ^a
School bus			
Government	25%	40%	45%
Nongovernment	25%	25%	45%
Government-owned shuttle/transit bus	40%	40%	45%
Nongovernment-owned shuttle/transit bus	25%	25%	45%

a. DEQ will also fund 45% of the cost of infrastructure for charging new all-electric vehicles.

Table 6. EMA 6—Class 4-7 local freight trucks (medium trucks).

Replacement	Diesel	Alternate Fuel	All Electric ^a
Government	40%	40%	45%
Nongovernment	25%	25% ^b	45%

a. DEQ will also fund 45% of the cost of infrastructure for charging new all-electric vehicles.

b. 40% for Drayage.

Table 7. EMAs 7 and 8—Airport ground support equipment and forklifts and port cargo-handling equipment.

Replacement	Forklift	Airport Ground Support	Cargo Handling
Government and nongovernment	75%	75%	45%
Government and nongovernment port, yard tractor	—	—	50%
Government and nongovernment port, straddle carrier	—	—	35%

Note: The State Trust only allows for replacement of port cargo-handling equipment with all-electric vehicles. DEQ will also fund 45% of the cost of infrastructure for charging new all-electric vehicles.

Please Note: EMA 3 - Funding levels for EMA 3 (freight switchers) will be determined on a per project basis.

Scoring Criteria

DEQ will review and score all completed applications for eligible projects following the matrix in Table 8; scoring criteria descriptions are found after the table. While all criteria are addressed in the application, applicants should provide any additional information they want included in the review.

Table 8. DEQ scoring matrix.

Criteria	Low	Medium	High	Total Points
Air quality priority areas	Projects not located in air quality priority areas 5 points	Projects located in maintenance area and area of concern counties: Portneuf Ada Bonner Canyon Benewah Lemhi 15 points	Projects located within current nonattainment area counties: Franklin Shoshone 25 points	25
Sensitive population impacted (see Scoring Criteria Descriptions)	Bottom one-third sensitive population impacted 5 points	Middle one-third sensitive population impacted 10 points	Top one-third sensitive population impacted 20 points	20
NOx emission priority counties	Less than 750 tons/year: Washington Valley Owyhee Benewah Boise Franklin Clark Teton Clearwater Gem Lewis Lemhi Custer Butte Adams Camas 5 points	750–1,500 tons/year: Minidoka Nez Perce Boundary Payette Blaine Jefferson Latah Bear Lake Caribou Shoshone Idaho Oneida Fremont Lincoln Madison 10 points	More than 1,500 tons/year: Ada Kootenai Canyon Bannock Elmore Bonner Bingham Bonneville Jerome Twin Falls Cassia Gooding Power 20 points	20
Cost effectiveness for NOx reductions	Bottom one-third cost/ton NOx reduction 5 points	Middle one-third cost/ton NOx reduction 10 points	Top one-third cost/ton NOx reduction 15 points	15
Voluntary funding match greater than requirements	>0% but <3% 5 points	3%–5% 10 points	>5% 15 points	15
Applicant experience ^a	<1 year 1 points	1–5 years 3 points	>5 years 5 points	5
Total points awarded				100

^a Includes experience that directly or indirectly correlates to efficient project execution.

Scoring Criteria Descriptions

Air Quality Priority Areas

Areas designated as nonattainment, maintenance areas, or as areas of concern are given more points (Figure 1).

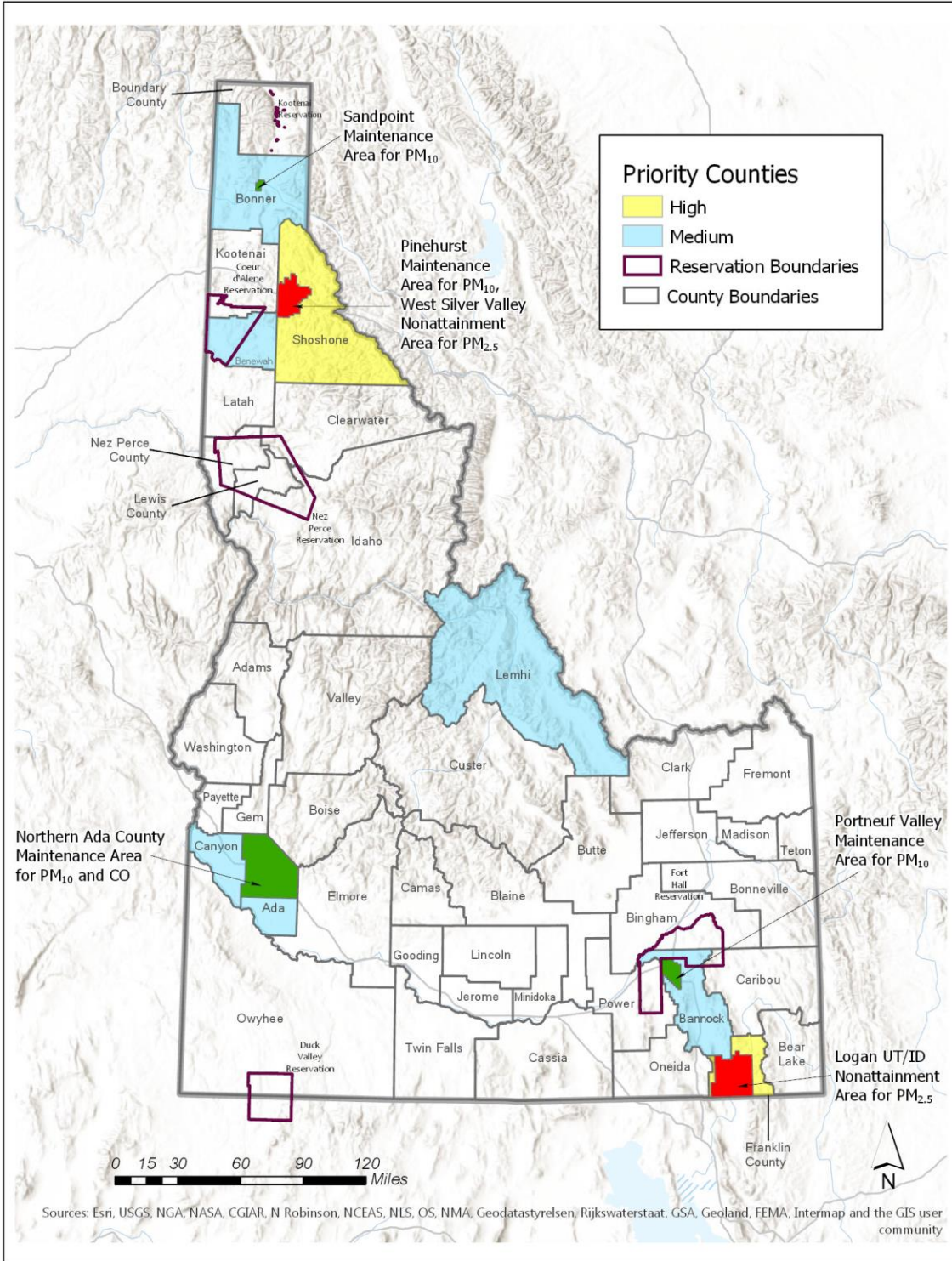


Figure 1. Air quality priority areas.

Population Impacted

How many people will benefit from this project? Are there *sensitive* populations including, but not limited to, people with heart and/or lung disease, asthmatics, children or the elderly, minority and/or low income populations, and/or populated areas within proximity to high traffic corridors that likely benefit from the project? If you are using a tool to identify sensitive populations that may be impacted by your project (e.g., EPA's EJSCREEN at www.epa.gov/ejscreen), include the data and analysis in your application.

Project submissions will be scored relative to competing project submissions during that application period; projects impacting the top one-third highest number of people within sensitive populations will receive the highest number of points. Projects impacting the middle and lower thirds will receive fewer points in their respective categories.

NOx Emission Priority Counties

Projects in counties with higher diesel oxides of nitrogen (NOx) emissions currently impacting the public will be awarded points in this category. Points are scored based on a range of NOx emissions for the associated county. DEQ has identified those counties with higher NOx emissions in Table 8.

Cost Effectiveness for NOx Reductions

DEQ will use an EPA computer model (Diesel Emission Quantifier) to determine the lifetime tons of NOx emissions reduced. Cost effectiveness will be calculated by using the lifetime tons of NOx emission reduced and the requested funding amount to determine the cost per ton of reduced NOx emissions (see "Quantifying Emission Reductions" below for the methodology).

Project submissions will be scored relative to competing project submissions during that application period; the top one-third most cost-effective projects will receive the highest number of points. Projects in the middle and lower thirds will receive fewer points.

For example, if a diesel school bus was replaced at a cost of \$25,000 to the State Trust, and EPA's Quantifier estimates that 1.5 tons of NOx would be reduced over the project's lifetime, the cost per ton of NOx emission reductions would be \$16,605. As an additional example, if the reimbursement was \$35,000 toward the purchase of a new bus, then the cost per ton of NOx emission reductions would be \$23,248.

Voluntary Funding Match Greater Than Reimbursement Limits

Those applicants that provide voluntary cost share or matching dollars above those required within this application package will score additional points in this category.

Applicant Experience

Government and nongovernment entities should describe demonstrated experience and existing administrative and programmatic structure in place for implementing diesel reduction or offset projects.

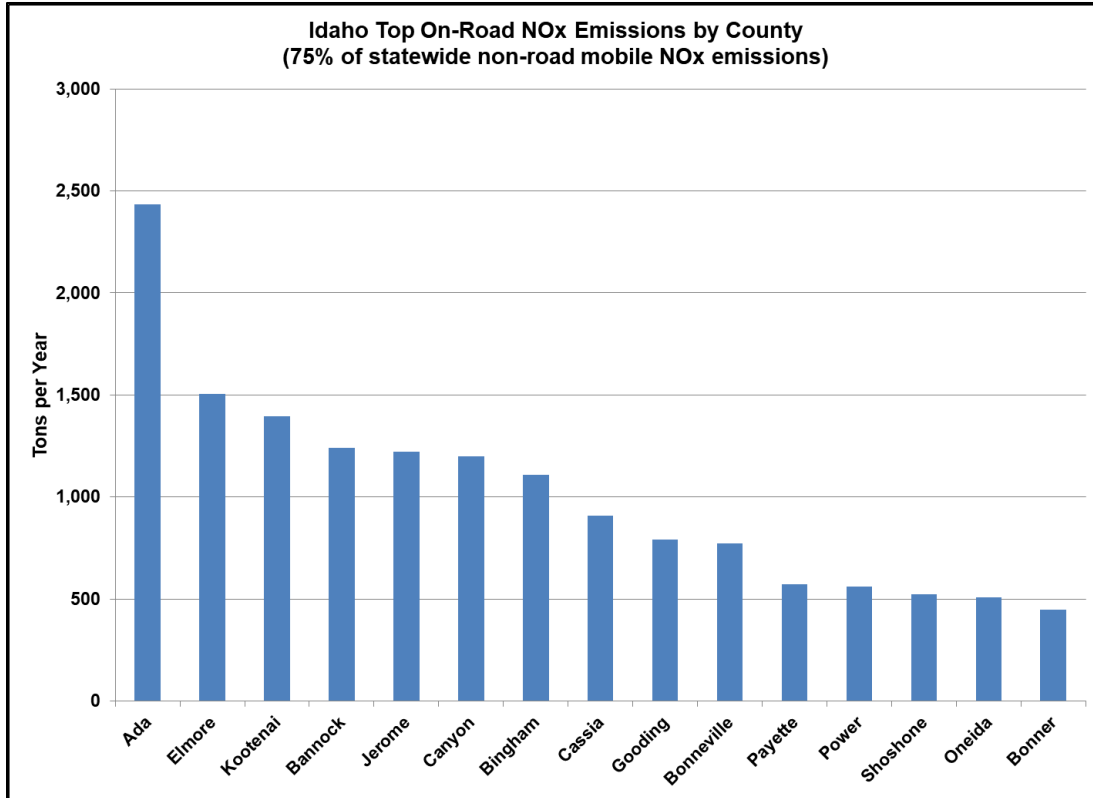


Figure 2. Top Idaho counties for on-road diesel NO_x emissions for 2014 (2014 NEI).

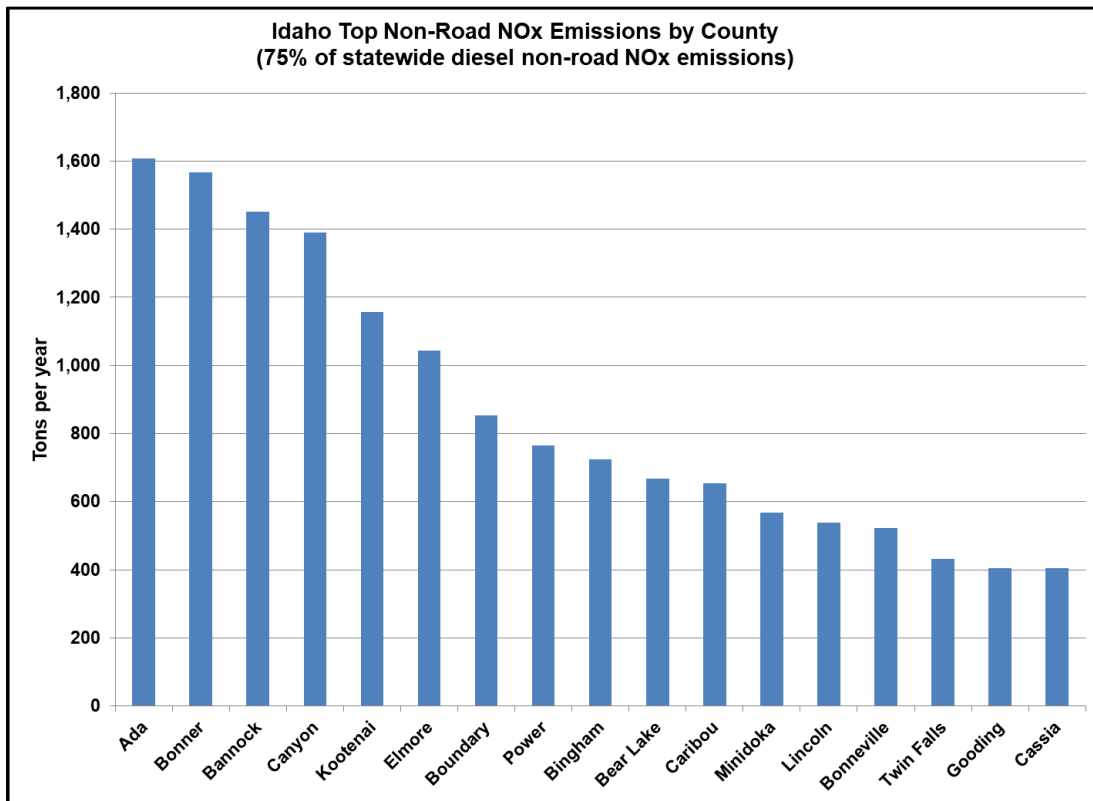


Figure 3. Top Idaho counties for non-road diesel NO_x emissions for 2014 (2014 NEI).

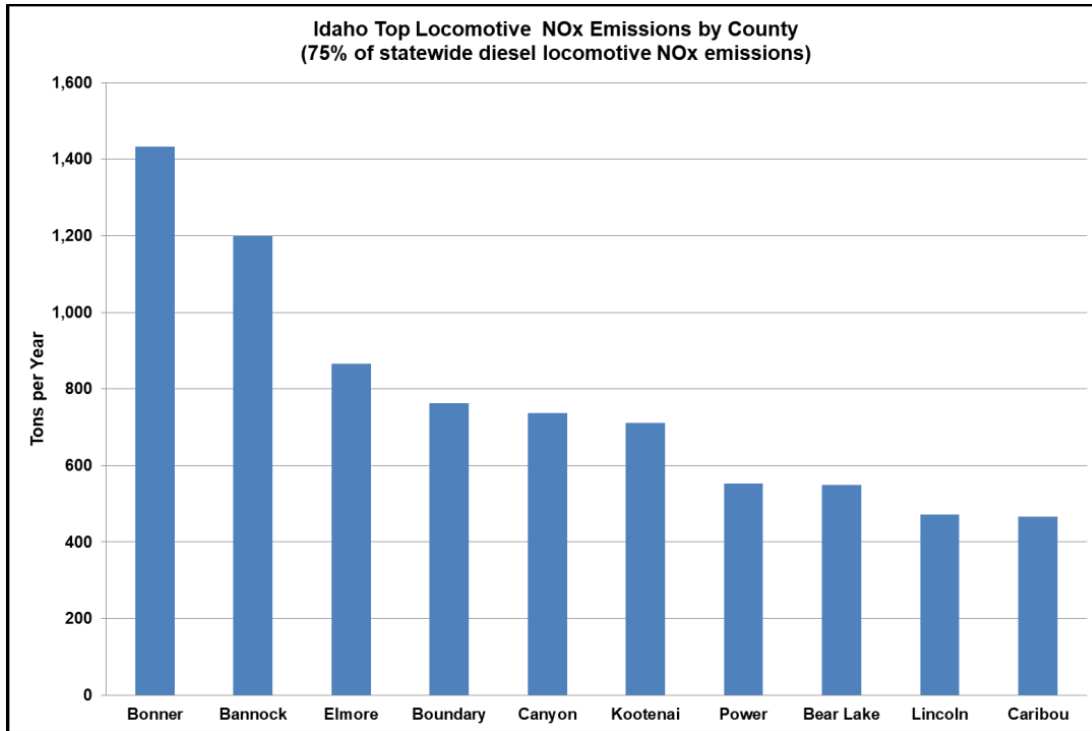


Figure 4. Top Idaho counties for locomotive diesel NOx emissions for 2014 (2014 NEI).

Quantifying Emission Reductions

DEQ will quantify the emission reductions resulting from the project by using the information included in a complete application. Emission reductions will be estimated using EPA's Quantifier (www.epa.gov/cleandiesel/diesel-emissions-quantifier-deq). When the Quantifier cannot be used because of the type of project and limitations to the model, emissions will be quantified using the Alternative Fuel Life-Cycle Environmental and Economic Transportation Tool (<https://greet.es.anl.gov/afleet>).

With the vehicle information included in the application, DEQ will use the maximum remaining useful vehicle life as allowed by the Quantifier (Table 9) to determine lifetime NOx emission reductions. Other variables used by the Quantifier to calculate the lifetime emission reductions include, but are not limited to, the following:

- Existing and new vehicle and equipment type.
- Existing and new engine model year.
- Existing and new vehicle class (GVWR).
- Annual mileage, fuel consumption, and idling hours.
- Existing and new fuel type.
- Cost of the action taken (i.e., the funding requested by the applicant from the State Trust).

EPA's Quantifier compares the difference between emissions projected to be generated by both (existing and new) vehicles over the remaining life of the existing vehicle to determine the projected reductions and cost per ton of emissions reduced.

Table 9. EPA diesel emission quantifier remaining life assumptions.^a

Fleet	Size or Type	Median Life (years)	Maximum Life (years)
On-road	All	19	30
Nonroad	HP ≤ 50	10	20
	51 ≤ HP ≤ 300	15	30
	HP ≥ 301	20	40
Locomotive	Switch	60	70
	Line haul	30	40
	Passenger	25	30

a. EPA's Quantifier uses *remaining life of the existing vehicle* to calculate lifetime emission reductions associated with a project. Actual remaining life depends on the age of the vehicle at the time of the project, as well as usage, maintenance, and climate. Remaining life is calculated by taking either the maximum life or the median life value and subtracting the current age of the vehicle based on model year. DEQ will use the maximum life for this calculation. For example, if the on-road vehicle replacement occurs in 2019, and the existing vehicle is a model year 2005, the remaining life would be 30 - (2019-2005) = 16 years.

If you have questions or need assistance with the required information for this application, contact DEQ before the submittal deadline.