



January 30, 2019

Senator Joyce Woodhouse
Chair, Senate Committee on Finance
Nevada Legislature
401 S. Carson Street
Carson City, Nevada 89701-4747

Assemblywoman Maggie Carlton
Chair, Assembly Committee on Ways and Means
Nevada Legislature
401 S. Carson Street
Carson City, Nevada 89701-4747

**RE: NDEP Semiannual Report
Bureau of Air Quality Planning
Volkswagen Environmental Mitigation Trust Fund
Reporting Period: July 1, 2018 to December 31, 2018**

Dear Senator Woodhouse and Assemblywoman Carlton:

This report is provided in response to your September 29, 2017, letter requiring a semiannual report from the Nevada Division of Environmental Protection (NDEP) on the status of the Volkswagen Environmental Mitigation Trust Agreement for State Beneficiaries (VW State Trust). As requested, the report reviews (1) the status of the Volkswagen Settlement and the Mitigation Fund, and (2) the process established to distribute the funds. Your letter also requested a review of the recommendations by working groups for the proposed activities to be supported by Nevada's portion of the funds. Activities related to those recommendations were completed prior to January 2018, and are reviewed in our February 1, 2018, semiannual report.

Nevada's goals for the VW State Trust, as detailed in Nevada's Beneficiary Mitigation Plan, are:

1. Reduce nitrogen oxide (NOx) emissions from areas of Nevada that bear a disproportionate share of NOx pollution and, potentially, other pollutants;
2. Reduce NOx emissions from areas of Nevada where the vehicles subject to the settlement were, are, or will be operated; and
3. Support long-term investments toward a zero emission transportation sector within Nevada.

Status of the Volkswagen Settlement and the Mitigation Fund

Through a series of three partial settlements finalized between the Volkswagen Corporation and its Subsidiaries (collectively "VW"), the United States, and the State of California, VW has agreed to spend \$2.925 billion to fully mitigate the excess NOx emissions produced by those 2.0 and 3.0 liter diesel-powered vehicles that were sold with illegal defeat devices. This is the funding source of the VW State Trust funds. Of the 590,000 vehicles identified nationally in the partial settlements, Nevada had 5,739 affected vehicles registered in the State in calendar year 2015. Nevada's allocation of the national VW State Trust fund is \$24,874,024.

One requirement of the partial settlements was for VW to provide access to an Independent Claims Supervisor to oversee the status of the recall, buyback, or lease termination of the 590,000 nationally identified vehicles. As of the most recent Claims Supervisor's reports (reports are submitted for both the 2.0 and 3.0 liter partial settlements), VW has recalled and fixed, bought back, or terminated the leases on 528,022 (89.5 percent) of all nationally identified vehicles.

As of April 12, 2018, the NDEP has completed all administrative obligations necessary to disburse VW State Trust funds. A summary of these obligations was included as Table 1 in NDEP's previous semiannual report, submitted July 30, 2018 (attached).

Process Established to Distribute Settlement Funds in Accordance with the Settlement Terms

Light Duty Zero Emission Vehicle Supply Equipment Category

As mentioned in previous reports, the Governor's Office of Energy (GOE) is responsible for awarding the funding from the 15 percent of VW State Trust funds allocated to Light Duty Zero Emission Vehicle Supply Equipment (Eligible Mitigation Action Category 9 of the VW State Trust). These funds are being utilized to support the development of the Nevada Electric Highway. As Nevada's designated lead agency, the NDEP actively coordinates with the GOE on the submission of funding requests to Wilmington Trust, the Trustee overseeing VW State Trust funds.

To date, the NDEP has submitted two funding requests to Wilmington Trust through this Eligible Mitigation Action category and funding has been delivered to both the NDEP and the GOE to support the completion of these two projects. These two projects plan for the installation of electric vehicle charging stations in Glendale, Nevada, and Lathrop Wells, Nevada. More information on these projects can be found below in Table 2 beginning on page 6.

Nevada Clean Diesel Program

The VW State Trust allows the use of funds to match the annual federal EPA Diesel Emission Reduction Act (DERA) grant. When this happens, EPA provides an additional 50 percent incentive in addition to the awarded base grant. The NDEP has been a recipient of DERA grants for more than 10 years and has administered these funds to municipalities and school districts across the State through the Nevada State Clean Diesel Program. Nevada's Beneficiary Mitigation Plan directs the NDEP to use approximately 5 percent of Nevada's VW State Trust funds to match the annual DERA grant.

The NDEP has already committed to use VW State Trust funds to match the federal fiscal year 2017 DERA grant to support the replacement of school buses in Clark County and class 8 service vehicles in Washoe County. These are the first four projects in Table 2 on page 6. The NDEP has also committed to matching the federal fiscal year 2018 DERA grant to support the replacement of school buses in Clark County.

Competitive Funding – Nevada Diesel Emission Mitigation Fund

The NDEP closed the Solicitation Period for the 2018 Funding Cycle of the Diesel Emission Mitigation Fund (DEMF) on July 31, 2018.¹ The NDEP received 37 applications for more than \$20 million in funding. Below are additional details regarding the applications:

- Total number of applications: 37
- Total dollar value of projects: \$130.7 million
- Total dollar value requested by applicants: \$20.8 million
- Total number of vehicles/pieces of equipment included in applications: 538
- Number of applications requesting funds to:
 - replace or repower diesel-powered school, shuttle, and transit buses: 11
 - replace class 4-8 diesel-powered vehicles²: 19
 - replace airport ground support equipment: 5
 - replace equipment through the DERA Option³: 2
- Number of requests received by:
 - Government agencies: 12
 - Non-Government agencies: 25
- Number of requests submitted by applicants in Clark County: 19
- Number of requests submitted by applicants in Washoe County: 11
- Number of requests submitted by applicants outside of Clark and Washoe counties: 10

A selection panel was formed by the NDEP to evaluate and select applications. The panel included representatives from NDEP's Bureau of Air Quality Planning, Washoe County's Air Quality Management Division, Clark County's Department of Air Quality, and a

¹ Table 2 of our previously submitted July 30, 2018, semiannual report (attached) details the activities and dates for the 2018 Funding Cycle.

² Class 4-8 diesel-powered vehicles includes any diesel-powered vehicle with a gross vehicle weight rating greater than 14,000 pounds.

³ The VW State Trust allows to use funds for mitigation projects eligible under DERA (Eligible Mitigation Action Category 10 of the VW State Trust). The NDEP uses this option to match the annual federal DERA grant (see the section Nevada Clean Diesel Program above) and allow for competitive projects in the annual DEMF.

representative from NDEP’s Bureau of Water Quality Planning who is directly involved in the management of the State Revolving Fund – a competitive financing program that provides loans for water projects throughout Nevada.

Based on the scoring methodology included in the competitive application (attached), the panel selected 12 applications, awarding more than \$6.6 million to support the replacement of school buses, transit buses, refuse trucks, and airport ground support equipment throughout Nevada. The press release issued concurrently with the announcement of these awards is attached to this report. Also, Table 1 lists the awardees, award amount, and the vehicles/pieces of equipment selected for replacement. Because funding is only made available to awardees on a reimbursement basis, projects must be completed and verified by the NDEP before VW State Trust funds are disbursed.

Table 1: Details on the DEMF’s 2018 Funding Cycle projects selected for funding

Awardee	Award Amount	Project Details
Clark County		
Allegiant Air	\$157,200.00	Replacement from diesel to electric of 2 pieces of airport ground support equipment.
Clark County Department of Aviation ⁴	\$90,000.00	Diesel repower of 5 airport shuttle bus engines.
Clark County School District	\$150,000.00	Diesel replacement of 5 school buses.
Republic Services	\$200,000.00	Replacement from diesel to natural gas of 5 refuse trucks.
Southern Nevada RTC	\$300,000.00	Replacement from diesel to natural gas of 5 transit buses.
Southwest Airlines	\$3,655,661.29	Replacement from diesel and gasoline to electric of 109 pieces of airport ground support equipment.
United Airlines	\$658,043.40	Replacement from diesel to electric of 21 pieces of airport ground support equipment.
Washoe County		
Southwest Airlines	\$674,021.23	Replacement from diesel and gasoline to electric of 20 pieces of airport ground support equipment.
United Airlines	\$226,954.20	Replacement from diesel to electric of 11 pieces of airport ground support equipment.
Washoe County School District	\$383,725.00	Diesel replacement of 5 school buses.
Other Counties		
Humboldt County School District	\$65,601.13	Diesel replacement of one school bus.
Pershing County School District	\$73,375.00	Diesel replacement of one school bus.

The NDEP is currently planning for the 2019 round of competitively awarded funds through the DEMF. The NDEP expects the 2019 competitive cycle to be open for project solicitations from June 1 to July 31, and award announcement in September 2019.

⁴ Clark County Department of Aviation has indicated it will not be accepting this award. These funds will be available for the 2019 competitive DEMF funding cycle.

Status of VW State Trust Funds

As described in previous sections, there are three major categories of projects: (1) projects submitted in support of the Nevada Electric Highway; (2) the DEMF Competitive Application; and (3) the Nevada State Clean Diesel Program. Because the process of funding these three types of projects is different, the NDEP has included an attachment to briefly explain how each type of project is managed and funded as it relates to VW State Trust funds.

Wilmington Trust makes the final determination on whether any Beneficiary's request for funding complies with the requirements of the VW State Trust. The NDEP only submits funding requests to the Trustee that fulfill all the completeness requirements and are compatible with all the VW State Trust's terms. To date, the NDEP has submitted 11 funding requests to the Trustee. Of these requests, two are funded through the Nevada Electric Highway, five are funded through the DEMF, and four are funded through the Nevada State Clean Diesel Program. The NDEP continues to work with the remaining organizations awarded funding through the DEMF's 2018 Funding Cycle to ensure that all projects are submitted to and approved by Wilmington Trust. Table 2 of this report provides details on the status of all 11 funding requests that have been submitted to the Wilmington Trust.

Table 3 lists the total amount of funds encumbered for all the projects to date. This list includes projects submitted or approved by the Trustee, as well as projects for which the NDEP has committed to use VW State Trust funds, but has not submitted formal requests for approval by the Trustee.

Table 2: Status of Funding Requests Submitted to Wilmington Trust as of December 31, 2018

Project Title	Project Category	Project Details	Project Costs and Funding					Cumulative VW State Trust Funds Awarded	Total Project NOx Reductions (tons)	Project Status	Estimated Project Completion Date
			VW State Trust Award	Clean Diesel Program Award	Leveraged Partner Funding	Project Admin Costs	Total Project Cost				
City of Reno Flusher Truck Replacement	NV State Clean Diesel Program	Diesel-for-diesel replacement of 3 City-owned flusher trucks	\$95,885.48	\$143,828.22	\$719,141.11	-	\$958,854.81	\$95,885.48	1.29	Approved – In Progress	CY 2019 Q1
Clark County School District School Bus Replacement	NV State Clean Diesel Program	Diesel-for-diesel replacement of 5 school buses	\$68,000.00	\$102,000.00	\$598,486.60	-	\$768,486.60	\$163,885.48	1.74	Completed	Completed
City of Reno Paint Striper Truck Replacement	NV State Clean Diesel Program	Diesel-for-diesel replacement of one City-owned paint striper truck	\$42,344.40	\$63,516.60	\$317,583.00	-	\$423,444.00	\$206,229.88	0.21	Approved – In Progress	CY 2019 Q1
City of Reno Combination Plow/Dump Truck Replacement	NV State Clean Diesel Program	Diesel-for-diesel replacement of one City-owned combination plow/dump truck	\$25,771.12	\$28,654.18	\$173,676.90	-	\$228,102.20	\$232,001.00	0.421	Approved – In Progress	CY 2019 Q1
Moapa Charging Station	Nevada Electric Highway	Installation of electric vehicle charging stations	\$119,374.40	-	\$29,843.60	\$11,937.44	\$161,155.44	\$363,312.84	0.040	Approved – In Progress	CY 2019 Q2
Amargosa Valley (Lathrop Wells) Charging Station	Nevada Electric Highway	Installation of electric vehicle charging stations	\$300,000.00	-	-	\$30,000.00	\$330,000.00	\$693,312.84	0.100	Approved – In Progress	CY 2019 Q2
Washoe County School District School Bus Replacement	Diesel Emission Mitigation Fund	Diesel-for-diesel replacement of 5 school buses	\$383,725.00	-	\$383,725.00	\$57,558.75	\$825,008.75	\$1,134,596.59	1.373	Submitted – Approval Pending	CY 2019 Q3
Humboldt County School District School Bus Replacement	Diesel Emission Mitigation Fund	Diesel-for-diesel replacement of one school bus	\$65,601.13	-	\$65,601.13	\$9,840.16	\$141,042.42	\$1,210,037.88	0.806	Submitted – Approval Pending	CY 2019 Q3
Pershing County School District School Bus Replacement	Diesel Emission Mitigation Fund	Diesel-for-diesel replacement of one school bus	\$73,375.00	-	\$73,375.00	\$11,006.25	\$157,756.25	\$1,294,419.13	2.280	Submitted – Approval Pending	CY 2019 Q3

Project Title	Project Category	Project Details	Project Costs and Funding				Cumulative VW State Trust Funds Awarded	Total Project NOx Reductions (tons)	Project Status	Estimated Project Completion Date	
			VW State Trust Award	Clean Diesel Program Award	Leveraged Partner Funding	Project Admin Costs					Total Project Cost
Southwest Airlines LAS Airport Ground Support Equipment Replacement	Diesel Emission Mitigation Fund	Replacement from diesel and gasoline to electric of 109 pieces of airport ground support equipment	\$3,655,661.29	-	\$2,437,107.53	\$548,349.19	\$6,641,118.01	\$5,498,429.61	601.633	Submitted – Approval Pending	CY 2020 Q4
Southwest Airlines RNO Airport Ground Support Equipment Replacement	Diesel Emission Mitigation Fund	Replacement from diesel and gasoline to electric of 20 pieces of airport ground support equipment	\$674,021.23	-	\$449,347.49	\$101,103.18	\$1,224,471.90	\$6,273,554.03	49.944	Submitted – Approval Pending	CY 2021 Q4
Total			\$5,503,759.05	\$337,999.00	\$5,247,887.35	\$769,794.98	\$11,859,440.38	\$6,273,554.03	659.840		

Table 3: Status of Nevada’s Initial Trust Allotment that have been encumbered to date

Project Category	Total Encumbered Funds (including Admin Costs)	Fund Requests Already Submitted to Wilmington Trust (as from Table 2, including Admin Costs)
Nevada Electric Highway - Light Duty Zero Emission Vehicle Supply Equipment (15% of Nevada’s VW State Funds)	\$4,104,214.04	\$461,311.84
Nevada Clean Diesel Program (voluntary match for federal FY17 and FY18 grants)	\$506,972.00	\$232,001.00
Competitive Funding – DEMF (2018 Cycle)	\$7,526,268.43 ⁵	\$5,580,241.19
Total	\$12,137,454.47	\$6,273,554.03

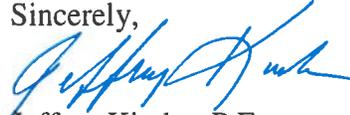
⁵ This total does not include \$90,000 awarded to Clark County Department of Aviation included in Table 1. See Footnote 4.

Senator Woodhouse
Assemblywoman Carlton
January 31, 2019
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Attached to this letter are NDEP's July 30, 2018, semiannual report, the DEMF's Competitive Application for the 2018 Funding Cycle, the NDEP's October 2018 press release announcing the awards for the 2018 DEMF Funding Cycle, and a diagram describing the funding process for each of the 3 major types of Nevada's VW State Trust projects.

Thank you for your consideration of this matter and if you should have any questions about this report or require additional clarification, please contact me at (775) 687-9307.

Sincerely,



Jeffrey Kinder, P.E.

Deputy Administrator

Nevada Division of Environmental Protection

Attachments: Semiannual Report, July 30, 2018
 2018 Nevada Diesel Emission Mitigation Fund Competitive Application Form
 October 2018 Press Release, "Nevada Division of Environmental Protection among first in nation
 to award grants for air quality improvement projects using VW Settlement funds"
 Description of Each Type of Volkswagen Environmental Mitigation Trust Fund Project

cc w/o attachments: Bradley Crowell, Director, Nevada Department of Conservation and Natural Resources
 Jim Lawrence, Deputy Director, Nevada Department of Conservation and Natural Resources
 Greg Lovato, P.E., Administrator, NDEP
 Danilo Dragoni, Chief, Bureau of Air Quality Planning, NDEP
 Susan Brown, Director, Governor's Finance Office
 Curtis Palmer, Executive Branch Budget Officer, Governor's Finance Office
 Kimbra Ellsworth, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau
 David Bobzien, Director, Governor's Office of Energy
 David Noble, Deputy Director, Planning and Innovation, Governor's Office of Energy
 Marc Henson, Director, Clark County Department of Air Quality
 Charlene Albee, Director, Air Quality Management Division, Washoe County Health District