

BENEFICIARY ELIGIBLE MITIGATION ACTION CERTIFICATION SUMMARY ATTACHMENT

(All terms that are both bolded and italicized in this document are defined in Appendix D-2 of the State Trust Agreement.)

Explanation of how funding request fits into Beneficiary's Mitigation Plan (5.2.1):

Section V.B.i. of the State of Tennessee's Beneficiary Mitigation Plan states:¹

The State will allocate \$6,177,588.45 to eligible *Class 4-7 Local Freight Truck* projects.

Eligible *Class 4-7 Local Freight Trucks* may be *Repowered* with any new diesel, *Alternate Fueled*, or *All-Electric* engine, or may be replaced with any new diesel, *Alternate Fueled*, or *All-Electric* vehicle. Due to expected NOx emissions reductions from *Alternate Fueled* and *All-Electric* projects being higher than expected NOx emissions reductions from new diesel projects, the State will prioritize funding for *Alternate Fueled* and *All-Electric* vehicle *Repowers* and/or replacements under this Environmental Mitigation Action category. The cost to *Repower* an engine shall include the cost to purchase and install such engine.

Additionally, Section V.D. of the State of Tennessee's Beneficiary Mitigation Plan speaks to the intended use of allowable administrative expenditures for each Eligible Mitigation Action category.²

Detailed Description of Mitigation Action Item Including Community and Air Quality Benefits (5.2.2):

Dependent on fuel and project type, the State expects to be able to fund between 44-1,617 *Class 4-7 Local Freight Truck* projects.³ The new *Class 4-7 Local Freight Trucks* will reduce NOx emissions associated with the older (pre-2009) diesel *Class 4-7 Local Freight Trucks* to be *Scrapped*.

TDEC expects to release a first round solicitation for *Class 4-7 Local Freight Trucks* in the first calendar quarter of 2020. TDEC will conduct a comprehensive review of all grant applications and will provide and submit to the Trustee detailed information on specific projects to be funded, to include community and air quality benefits, upon completion of that review. This information will be provided to the Trustee along with each corresponding Attachment A – Funding Request and Direction for this Eligible Mitigation Action category.

Estimate of Anticipated NOx Reductions (5.2.3):

The above-mentioned range of potential *Class 4-7 Local Freight Truck* projects to be funded is expected to yield NOx emissions reductions between 2.0-721.2 NOx tons/year.⁴ These emissions reduction estimates were calculated using the U.S. Environmental Protection Agency's Diesel Emissions Quantifier

¹ State of Tennessee's Beneficiary Mitigation Plan. https://www.tn.gov/content/dam/tn/environment/energy/documents/vw-resources/TDEC%20VW%20EMT%20BMP_Updated%205.22.19.pdf.

² State of Tennessee's Beneficiary Mitigation Plan. https://www.tn.gov/content/dam/tn/environment/energy/documents/vw-resources/TDEC%20VW%20EMT%20BMP_Updated%205.22.19.pdf.

³ This range was calculated using cost information submitted in response to a TDEC Request for Information and/or obtained by TDEC personnel through subsequent outreach. It reflects the highest and lowest number of Class 4-7 Local Freight Truck projects that the State may fund under its Initial Eligible Project Funds budget of \$6,177,588.45. The low end of this estimate reflects the hypothetical funding of the maximum number of the most costly replacement at the 75% funding cap. The high end of this estimate reflects the hypothetical funding of the maximum number of the least costly *Repower* at the 25% funding cap.

⁴ The total number of projects that could be funded under this Environmental Mitigation Action category (e.g., replace with a new *All-Electric* vehicle, replace with an *Alternate Fueled* vehicle, etc.) was multiplied by the corresponding expected emissions reduction estimates to arrive at the range of expected emissions reductions.

(DEQ). TDEC will provide updated information on expected NOx emissions reductions for selected projects along with each corresponding Attachment A – Funding Request and Direction for this Eligible Mitigation Action category.

Describe how the Beneficiary will make documentation publicly available (5.2.7.2):

Please see the Attachment to the State of Tennessee’s Certification for Beneficiary Status under the Environmental Mitigation Trust,⁵ which details how the State of Tennessee will make documentation publicly available.

Describe any cost share requirement to be placed on each NOx source proposed to be mitigated (5.2.8):

Section V.B.i. of the State of Tennessee’s Beneficiary Mitigation Plan states:⁶

For eligible *Class 4-7 Local Freight Trucks*, the State will fund:

- Up to 25% of the cost of a *Repower* or replacement for Non-Government Owned projects;
- Up to 50% of the cost of a *Repower* or replacement for *Government* Owned projects;
- Up to 75% of the cost of a *Repower* or replacement for *Government* Owned projects in current or former nonattainment areas for Ozone and/or PM2.5 NAAQS; and
- Up to 75% of the cost of a *Repower* or replacement for *Government* Owned projects in Distressed Counties.

For *All-Electric Repower* or replacement projects, the State will fund up to 25% of the acquisition and installation costs for associated charging infrastructure (*All-Electric* infrastructure costs) for Non-Government Owned projects and up to 50% of the *All-Electric* infrastructure costs for *Government* Owned projects.

Describe how the Beneficiary complied with subparagraph 4.2.8, related to notice to U.S. Government Agencies (5.2.9):

Please see Appendix 3 (Notice of Availability of Mitigation Action Funds to Certain Federal Agencies) of the State of Tennessee’s Beneficiary Mitigation Plan, which details how the Beneficiary complied with subparagraph 4.2.8 of the State Trust Agreement.⁷

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):

Please see Section VI. of the State of Tennessee’s Beneficiary Mitigation Plan. This section sets forth the method by which the Tennessee Department of Environment and Conservation will consider the potential beneficial impact of selected Eligible Mitigation Actions on air quality in areas that bear a disproportionate share of the air pollution burden.⁸

⁵ Certification for Beneficiary Status Under Environmental Mitigation Trust Agreement.

[https://www.tn.gov/content/dam/tn/environment/energy/documents/vw-resources/Tennessee%20Appendix%20D-3%20form%20\(executed%20and%20filed\).pdf](https://www.tn.gov/content/dam/tn/environment/energy/documents/vw-resources/Tennessee%20Appendix%20D-3%20form%20(executed%20and%20filed).pdf).

⁶ State of Tennessee’s Beneficiary Mitigation Plan. https://www.tn.gov/content/dam/tn/environment/energy/documents/vw-resources/TDEC%20VW%20EMT%20BMP_Updated%205.22.19.pdf.

⁷ State of Tennessee’s Beneficiary Mitigation Plan. https://www.tn.gov/content/dam/tn/environment/energy/documents/vw-resources/TDEC%20VW%20EMT%20BMP_Updated%205.22.19.pdf.

⁸ Ibid.

ATTACHMENT B**PROJECT MANAGEMENT PLAN – PROJECT SCHEDULE AND MILESTONES**

| Medium Trucks Grant Program Milestone | Date |
|---|---|
| Lead Agency Secures Delegated Grant Authority | May 2020 |
| Solicitation Release | By March 30, 2020 |
| Application Deadline | By June 15, 2020 |
| Selected Grantees Announced | September 2020 |
| Updated Beneficiary Mitigation Plan Published | September 2020 |
| Draft Grant Contracts Sent to Grantees for Signature | October 2020 |
| Grant Contracts Finalized | November 2020 |
| Grant Contract Begin Date | Estimated December 2020 |
| Trustee Acknowledges Receipt of Project Certification and Funding Direction | Estimated February 2020 (first D-4 expected to be submitted in December 2019, and on a quarterly basis after that) |
| Grantees complete quarterly, annual, and final reports, as required by the Grant Contract | January 2021-December 2027 |
| Lead Agency conducts on-site and desktop monitoring of all Grantees | March 2021-March 2023 |
| Grantees certify project completion and provide detailed invoices for all claimed project costs, documentation for emissions reduction estimates, required certification documents to Lead Agency to support direction to Trustee for Payment | March 2021-March 2023 |
| Lead Agency completes review and certifies payment direction to Trustee | June 2021-June 2023 |
| Trustee Acknowledges Receipt of Direction for Payment(s) | February 2020-July 2023 |
| Trustee Allocates Share of State Funds for Approved Project (to coincide with vehicle purchase/delivery/deployment and corresponding scrappage) | March 2020-August 2023 |
| Grant Contract End Date | December 2022, assuming that no contract extensions are granted |
| Grant Closeout / Lead Agency Reports Project Completion | March-August 2023 |

PROJECT BUDGET

Period of Performance: November 2018-August 2023

| Budget Category | Total Approved Budget | Share of Total Budget to be Funded by the Trust | Cost-Share, if applicable |
|--|---|--|---|
| Subrecipient Awards (See Attachment D for List of Approved Grantees and Corresponding Funding Ceilings) | TBD (\$8,236,784.60- \$24,710,353.84) | \$6,177,588.45 | TBD (\$2,059,196.15- \$18,532,765.39) |
| Administrative | \$686,398.71 | \$686,398.71 | N/A |
| Project Totals | TBD (\$8,923,183.31- \$25,396,752.55) | \$6,863,987.16 | TBD (\$2,059,196.15- \$18,532,765.39) |
| Percentage | 100% | TBD (27%-77%) | TBD (23%-73%) |

PROJECTED TRUST ALLOCATIONS

TDEC will conduct a comprehensive review of all grant applications and will provide and submit to the Trustee a projected trust allocation table upon completion of that review. This information will be provided to the Trustee along with each corresponding Attachment A – Funding Request and Direction for this Eligible Mitigation Action category.

ATTACHMENT C

DETAILED PLAN FOR REPORTING ON ELIGIBLE MITIGATION ACTION IMPLEMENTATION

The Tennessee Department of Environment and Conservation (TDEC) will provide detailed reporting on this Environmental Mitigation Trust project in two ways:

1. Timely updates to TDEC's *Tennessee and the Volkswagen Diesel Settlement* public-facing webpage (also referred to as the "TDEC Webpage," which can be accessed at www.tn.gov/environment/VWSettlement);
2. Tennessee's semiannual Beneficiary Reporting Obligations to Wilmington Trust (the "Trustee").

After being identified by the Governor as Lead Agency, TDEC launched the TDEC Webpage to provide information regarding the Environmental Mitigation Trust and eligible mitigation actions. The State of Tennessee's Beneficiary Mitigation Plan and all documentation and records submitted by the Beneficiary in support of each funding request to the Trustee will be available to the public on the TDEC Webpage. Timely updates to the TDEC Webpage will inform the general public on the projects' status as well as when these projects have been completed.

Tennessee will 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.

To assist Tennessee in fulfilling its Beneficiary Reporting Obligations, Grantees under TDEC's ***Class 4-7 Local Freight Truck*** Grant Program will be required to submit quarterly, annual, and final reports on their funded vehicle ***Repower*** or replacement projects. Details on each Grantee's required reporting will be outlined in a ***Class 4-7 Local Freight Truck*** Grant Program Manual, which is currently under development. TDEC will provide and submit to the Trustee detailed information on specific Grantee reporting requirements upon completion of the Grant Program Manual. This information will be provided to the Trustee along with each corresponding Attachment A – Funding Request and Direction for this Eligible Mitigation Action category.

ATTACHMENT D

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

Cost estimates for selected projects will be provided once TDEC has conducted a comprehensive review of all grant applications.

At the time of reimbursement request, Grantees under the *Class 4-7 Local Freight Truck* Grant Program must submit to TDEC cost invoices along with all required supporting documentation. Detailed cost invoices for eligible *Class 4-7 Local Freight Truck Repowers* and/or replacements will be provided to the Trustee along with each corresponding Attachment A – Funding Request and Direction for this Eligible Mitigation Action category.