

# **Volkswagen Settlement Environmental Mitigation Trust (VSEMT)**

## **Answers to Questions Received**

### **as of 12/21/2018**

#### **PROGRAM QUESTIONS**

**Q: The settlement focuses primarily on engine changes to reduce Nitrogen Oxides (NOx). Would a change to a more fuel-efficient tire program be eligible for truck fleets?**

A: Appendix D-2 of the Environmental Mitigation Trust Agreement for State Beneficiaries defines the Eligible Mitigation Actions. There is no mitigation action for fuel-efficient tires. Therefore, as our program is modeled after the Eligible Mitigation Actions listed in Appendix D-2, a fuel-efficient tire program would not be eligible for truck fleets.

**Q: Are lease vehicles eligible for funding under this program?**

A: No.

**Q: Would the insurance, maintenance and fuel for company vehicles qualify for this grant opportunity?**

A: No.

**Q: Does the purchase of a hybrid vehicle for school transportation use qualify for grant funding?**

A: If the vehicle is a 2009 engine model year or older diesel bus, then it would qualify if you apply to replace it with a new diesel, alternate fueled (diesel-electric hybrid), or all electric bus or engine with an engine model year of the current year or one model year prior.

If the vehicle is a 1992-2009 engine model year class 4-8 local freight truck or class 8 drayage truck, then it would qualify if you apply to replace it with a new diesel, alternate fueled (diesel-electric hybrid), or all electric truck or engine with an engine model year of the current year or one model year prior.

**Q: The execution of the project funding agreement between the Iowa DOT and the applicant must be done within 30 days, correct? How soon does the purchase order for a bus need to be completed?**

A: Once the Iowa DOT sends a project funding agreement to an applicant, the applicant must send the executed project funding agreement back to the Iowa DOT within 30 days of receipt of the unsigned agreement. Upon execution of the project funding agreement by the Iowa DOT, a copy of the fully executed agreement will be returned to the applicant, at which time the funding will be considered awarded. The project may not begin prior to the applicant receiving the fully executed agreement. Therefore, a purchase order may be made only after receiving the fully executed agreement.

**Q: Please explain the ineligible project of “purchases to expand a fleet”, since an applicant has to scrap the vehicle they are replacing?**

A: An applicant may not purchase a new vehicle under this program unless the applicant replaces an older vehicle in their fleet and eventually scraps the older vehicle. The purchase of a new vehicle without the scrapping of the old vehicle is not an eligible activity, as the purchase of the new vehicle alone would add to the applicant's fleet.

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**Q: Are there any incentives available to install charging stations at our seven dealerships?**

A: For this funding cycle, there are not any incentives available for zero emission vehicle infrastructure. This is because the funding cycle is targeting only the following categories from our Beneficiary Mitigation Plan:

- Category 1 – Class 4-8 School Bus, Shuttle Bus, or Transit Bus
- Category 2 – Freight Trucks and Port Drayage Trucks
- Category 3 – Non-Road Transport and Equipment

A fourth category in Iowa's Beneficiary Mitigation Plan is Category 4 – Zero Emission Vehicle (ZEV) Supply Equipment. This would include the acquisition, installation, operation, and maintenance of Level 1, Level 2, or DC Fast charging equipment that is located in the following areas:

- Public places
- Workplaces
- Multi-unit Dwellings

A solicitation of applications for the first funding cycle of the ZEV category is anticipated in Summer 2019. More information will be available as that time nears.

**Q: When submitting the application, can I just send you the materials as sections or do you prefer the application to be one PDF?**

A: We would prefer that you do not submit the application materials as one PDF. This is especially important for the Fleet Description Form and the Project Costs Form. Please submit these as Excel files. The application form, minority impact statement, and certification can be submitted as PDFs.

**Q: Would sales tax, included on an invoice, be considered an eligible cost?**

A: Yes. Costs directly incurred by the applicant through the purchase and/or installation of eligible technologies, equipment, and vehicles after the execution of a project funding agreement are eligible for reimbursement. These costs may include the procurement of goods and services from vendors and contractors as well as labor costs incurred by the applicant's employees for installation. All costs must be supported by appropriate documentation.

**Q: Where may I print off the slides of the webinar presentation?**

A: Webinar presentation slides were provided as an attachment to a follow-up email sent by the Iowa Clean Cities Program to registered viewers. A link to the presentation is listed on the Iowa Clean Cities Program website at: <https://www.iowaeconomicdevelopment.com/Community/clean>.

**Q: What is the signed certification form required with the application?**

A: The Certification form is the applicant's certification that their application is true and accurate, including the commitment of all physical and financial resources. It also acknowledges that intentionally providing false information in the application may result in criminal prosecution under Iowa Code § 714.8(3). The signatory must be an official authorized to represent the applying organization and must have the authority to contractually bind the organization or be the designated fiscal agent.

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**Q: How is the state of Iowa going to ascertain the 80 percent mileage requirement is being met?**

A: All funded projects may be subject to an audit and Iowa DOT reserves the right to verify compliance with any terms included in the project funding agreement between an awardee and Iowa DOT. Applicants signing the Certification form are certifying under penalty of perjury and pursuant to the laws of the state of Iowa that the application is true and correct. Intentionally providing false information in the application may result in criminal prosecution under Iowa Code § 714.8(3).

**Q: When an applicant replaces an old truck, where does the old truck go?**

A: Replaced or repowered trucks and engines must be scrapped according to the requirements described on page 10 of the Funding Cycle 1 – Implementation Guidelines.

**Q: Will the applicant receive the scrap value for the old truck?**

A: Equipment and vehicle components that are not part of the chassis or engine may be salvaged or scrapped. Proceeds may be kept by the applicant and will not affect the award amount.

**Q: In the second year, do you anticipate the bus year to go to 2010?**

A: The model years are outlined in the Environmental Mitigation Trust Agreement for State Beneficiaries, so it is likely that the model year eligibility would not change. However, if the terms do change, it will be outlined in the funding guidelines for the next funding round solicitation of applications.

**Q: Does this only cover Volkswagen products?**

A: No, it is not limited to Volkswagen products.

**Q: Would a conversion kit be allowable, since it doesn't require engine destruction?**

A: No. A conversion kit on an existing engine model year eligible under this program would not be allowed. All categories require replacing or repowering an eligible engine model year or vehicle.

**Q: How is the working group ascertaining if electric vehicles are meeting USDOT safety standards, including Federal Motor Vehicle Safety Standards (FMVSS) needed to operate on public roads?**

All projects will be required to comply with all applicable federal, state, and local laws and regulations. This would include compliance with Iowa Code § 321.30(15) which requires a vehicle to meet federal motor vehicle safety standards before a certificate of title will be issued.

**Q: Will the second funding cycle have roughly the same amount of funding available as the first funding cycle?**

A: Yes, we anticipate a similar amount of funding being available in the second funding cycle.

**Q: Are California Air Resources Board (CARB) and Environmental Protection Agency (EPA) certifications required prior to a project being approved in round 1?**

A: No, CARB or EPA certifications are not required prior to a project being approved for funding. However, proof of certification will be required to be submitted with the claim for reimbursement.

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### **as of 12/21/2018**

**Q: Will the retrofit/conversion of dual or dedicated fuel system which generates less emissions than diesel qualify for this funding opportunity?**

A: Yes, the conversion of a new vehicle to an alternate fueled vehicle is an eligible replacement project if the conversion is completed by the dealer or manufacturer prior to the applicant receiving the certificate of title for the vehicle. All grant recipients will be required to follow the scrapping requirements as described on page 10 of the Funding Cycle 1 – Implementation Guidelines.

As provided in Appendix A of the Funding Cycle 1 – Implementation Guidelines, and Appendix D-2 of the Environmental Mitigation Trust Agreement for State Beneficiaries, “Alternate Fueled” shall mean an engine, or a vehicle or piece of equipment that is powered by an engine, which uses a fuel different from or in addition to gasoline fuel or diesel fuel (e.g., CNG, propane, diesel-electric Hybrid). The applicant should submit pertinent information on the retrofit/conversion system and its installer with their application. This type of application will be subject to further review based on compliance with EPA emissions standards and certifications, when applicable.

#### **CATEGORY 1 – CLASS 4-8 SCHOOL BUS, SHUTTLE BUS, OR TRANSIT BUS QUESTIONS**

**Q: Is it \$300,000 maximum total for the transit bus or if you need charging infrastructure too, is it \$300,000 per vehicle and charger?**

A: Category 1 – Class 4-8 School Bus, Shuttle Bus, or Transit Bus would be the eligible category for a transit bus. If you look at Table 3, on page 3, an all-electric transit bus selected for funding will be reimbursed up to the maximum dollar amount per vehicle (\$300,000) or percentage of total costs per vehicle (45%), whichever is less. If charging infrastructure is required in conjunction with an all-electric replacement, the applicant may receive up to \$10,000 per vehicle toward those costs, or 45% of total infrastructure cost per vehicle.

For example, an application to replace a diesel transit bus with one all-electric transit bus (costs are hypothetical to show different scenarios)

- 1 bus @ \$820,000. Applicant would be reimbursed \$300,000. Applicants cost share would be \$520,000.
- 1 bus @ \$600,000. Applicant would be reimbursed \$270,000. Applicants cost share would be \$330,000.
- 1 bus @ \$820,000 with 1 charging infrastructure @ \$45,000. Applicant would be reimbursed \$310,000. Applicants cost share would be \$555,000.
- 1 bus @ \$600,000 with 1 charging infrastructure @ \$45,000. Applicant would be reimbursed \$280,000. Applicants cost share would be \$365,000.
- 1 bus @ \$820,000 with 1 charging infrastructure @ \$22,000. Applicant would be reimbursed \$309,900. Applicants cost share would be \$532,100
- 1 bus @ \$600,000 with 1 charging infrastructure @ \$22,000. Applicant would be reimbursed \$279,900. Applicants cost share would be \$342,100

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**Q: I am seeing that the replacement percentage in the Iowa VW application guidelines is 25% (capped at \$25,000) for the replacement of diesel buses? However, per the VW Settlement, companies who operate private fleets for public school districts are eligible for a higher “government owned” percentage. Might this be applicable to the Iowa application as well?**

A: The Volkswagen Environmental Mitigation Trust Agreement for State Beneficiaries allows states to make decisions about which vehicles to support through the eligible mitigation actions. The state of Iowa decided to include all eligible mitigation actions listed in the Trust, even though it was not required. Additionally, the Trust allows states to make decisions about the percentage of dollars it will draw down for a repower or replacement project. The decision the state of Iowa made was to lower the amount of match for non-government owned and government owned buses. Therefore, all eligible diesel bus replacements, regardless if they are non-government owned or government owned, will be reimbursed at \$25,000 per vehicle or 25% of total costs per vehicle, whichever is less.

**Q: Can a consortium of schools apply as a group (i.e. five rural schools apply together with one application)?**

A: No. A consortium cannot apply for funding unless the buses to be replaced or repowered are owned and operated by the consortium and not by the individual schools.

**Q: Does a school bus need to have been driven a certain number of miles the prior year? In other words, can a spare bus be part of this?**

A: All vehicles being replaced or repowered, including school buses, under this program must have been chiefly operated (over 80 percent of the miles or hours) within the state of Iowa during the previous calendar year. There is not a minimum or maximum number of miles. Therefore, a spare bus is eligible for replacement or repower so long as the bus is owned by the applicant, scrapped according to program guidelines upon replacement, and the new bus continues to operate 80% of the operating miles in the state of Iowa.

**Q: If a school has already ordered a new bus, can the funds still be used? Or must the school wait until they receive the funds to order the bus?**

A: Costs incurred prior to the execution of the project funding agreement are ineligible. A cost is considered incurred if it has been ordered, contracted, purchased, or installed. Therefore, if the school has already ordered a new bus, then the new bus would not be eligible for funding. The school must only incur costs after the execution of the project funding agreement to be eligible for reimbursement.

**Q: Are third party school bus providers eligible to apply?**

A: School buses owned and operated by public school districts fall under the “eligible applicants” definition; however, private organizations that own and operate diesel fleets (such as a third-party school bus provider) are also an eligible applicant.

**Q: If we have a diesel transit bus that is a 2006, but has had the engine replaced in 2015, would it qualify for the grant?**

A: No. Transit bus replacements or repowers must be for a 2009 engine model year or older.

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**Q: If I am getting rid of Diesel Buses and replacing with gas then I cannot apply?**

A: Correct: Upgrading/replacing diesel vehicles/equipment with gasoline-powered engines is not an eligible activity. However, if you replace the diesel bus with a gasoline bus and then have the new bus converted to use a fuel different from or in addition to gasoline fuel (e.g., gasoline-electric hybrid) prior to receiving the certificate of title, then it would qualify.

**Q: We have already gone through a school bus bid and have just received school board approval to purchase buses but have not placed an order to purchase yet. When should we place the order to be considered for funding in the first round?**

A: While it cannot be guaranteed that your project will receive funding, the current award timeline is that applicants selected for funding will execute project funding agreements in March 2019, with an estimated project start date for the applicant no earlier than April 1, 2019. The school must only incur costs after the execution of the project funding agreement to be eligible for reimbursement. Orders for buses placed before an agreement is executed will not be eligible for reimbursement.

**Q: Are manufacturers of commercial motor vehicles eligible to participate in a request for funding support or is it for purchasers of commercial motor vehicles?**

A: No. Eligible applicants for this program are private organizations, public transit system operators, cities, counties, and schools that own and operate diesel fleets and equipment in Iowa. The vehicle must be owned by the applicant and must have been operated in Iowa during the previous calendar year.

**Q: A manufacturers delivery timeframe for a 40-foot transit bus is 18-24 months from the time of order. Will there be any leeway if a delivery goes beyond the 2-year period for this reason?**

A: All projects selected for funding shall be complete within two years from the date the agreement is executed. A request for extension of deadlines outlined in a project funding agreement will be reviewed on a case by case basis.

#### **CATEGORY 2 – FREIGHT TRUCKS AND PORT DRAYAGE TRUCKS QUESTIONS**

**Q: Regarding the Category 2 electric charging infrastructure amount of \$10,000, is it a flat fee that can be used regardless of percentage?**

A: Please refer to Table 4, on page 3, the Funding Cycle 1 – Implementation Guidelines. If charging infrastructure is required in conjunction with an all-electric replacement or repower, the applicant may receive up to \$10,000 or the max percentage shown in the table, of total infrastructure costs, whichever is less, per vehicle.

If an applicant applies to replace two Class 4-7 Local Freight Trucks with an electric truck and electric charging infrastructure funding is requested, the applicant could receive up to \$10,000 per vehicle (for a total of \$20,000) or 45% of total infrastructure cost per vehicle.

Examples:

- Infra. costs = \$60,000.  $\$60,000 \times 45\% = \$27,000$ . Applicant would receive a total of \$20,000.
- Infra. costs = \$40,000.  $\$40,000 \times 45\% = \$18,000$ . Applicant would receive a total of \$18,000.



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**Q: Would the replacement of a diesel single axel dump truck be eligible under this program?**

A: Please refer to page 3 of the Funding Cycle 1 – Implementation Guidelines, Category 2 – Freight Trucks and Port Drayage Trucks. This particular vehicle would be eligible under this program if it is a 1992-2009 engine model year, is not being replaced because of a federal law mandate, is not being replaced with a gasoline-powered engine, has been operating over 80 percent of the miles within the state of Iowa during the previous calendar year, and is owned by the applicant.

**Q: Would the replacement of a 1992-2009 model year class 4-8 city owned diesel truck, used for various purposes including snow removal, hauling, etc. be eligible under Category 2 or Category 3 of this program?**

A: Please refer to pages 3-4 of the Funding Cycle 1 – Implementation Guidelines. This vehicle, if it meets all other eligibility requirements, would be eligible under Category 2 – Freight Trucks and Port Drayage Trucks. Category 2 includes replacing or repowering 1992-2009 engine model year class 4-8 local freight trucks or class 8 drayage trucks with a new diesel, alternate fueled, or all-electric truck or engine an engine model year of the current year or one engine model year prior. Category 3 – Non-Road Transport and Equipment is for projects that include freight switchers, ferries and tugs, marine vessel shorepower, airport ground and support equipment, and forklifts and port cargo handling equipment.

**Q: Please clarify if an engine replacement is required for freight trucks in Category 2 – Freight Trucks and Port Drayage Trucks. Would fuel system modification qualify if no engine replacement is necessary? Additionally, do only 1992-2000 engine model trucks qualify for this funding program?**

A: Yes, in Category 2 – Freight Trucks and Port Drayage Trucks, an applicant must be replacing or repowering a 1992-2009 engine model year class 4-8 local freight truck (or class 8 drayage truck) with a new diesel, alternate fueled, or all-electric truck or engine. Repower means to replace an existing engine with a newer, cleaner engine.

If an engine or vehicle replacement is not necessary, then a fuel system modification project is not eligible. For Category 2, only 1992-2009 engine model year class 4-8 local freight truck (or class 8 drayage truck) are eligible for replacement.

**Q: Does purchase of a compressed natural gas (CNG) semi-tractor apply to this funding program?**

A: Compressed natural gas is an eligible alternate fuel. If the vehicle fits all of the eligibility requirements under Category 2, Freight Trucks and Port Drayage Trucks as well as other eligibility requirements found in the Funding Cycle 1 – Implementation Guidelines, then yes, it would be applicable for this funding program.

### **CATEGORY 3 – NON-ROAD TRANSPORT AND EQUIPMENT QUESTIONS**

**Q: Would a terminal tractor qualify as a local freight if they are registered for on-road use, and if so can we use hours to calculate the emission reductions?**

A: No, a terminal tractor does not qualify as a local freight truck. A terminal tractor should be submitted under Category 3 which includes Port Cargo Handling Equipment.

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**Q: Regarding Category 3 - Non-Road Transport and Equipment, does Iowa intend on accepting applications for terminal tractors at any location they are found, in particular, in distribution and warehouse centers?**

A: Category 3 includes Port Cargo Handling Equipment which is defined on page 14 of the Funding Cycle 1 – Implementation Guidelines as, “rubber-tired gantry cranes, straddle carriers, shuttle carriers, and terminal tractors, including yard hostlers and yard tractors that operate within ports”. Iowa DOT interprets this definition to refer to the type of equipment commonly operated within ports regardless of location, rather than a specific type of facility. Thus, applications for terminal tractors to be used in distribution and warehouse centers will be accepted.

**Q: For Category 3, is the infrastructure funding subject to the \$300,000 cap or is it a separate line item?**

A: If charging infrastructure is required in conjunction with an all-electric replacement or repower for Category 3 Non-Road Transport and Equipment, these costs may be included in the application, up to \$300,000 or the percentage of total costs, as shown in Table 5, whichever is less. The costs for charging infrastructure to support the equipment will be funded as part of the project and not separate from the total cost. A replacement or repower project with electric charging infrastructure in this category will not receive more than \$300,000.

**Q: Does "non-road transport and equipment" include freight switcher locomotives?**

A: Yes. In Category 3 – Non-Road Transport and Equipment, a freight switcher is an eligible non-road project type. For more information on specific freight switcher eligibility and certification, please refer to page 4 of the Funding Cycle 1 – Implementation Guidelines.