

DEPARTMENT OF ENERGY AND ENVIRONMENT

NOTICE OF REQUEST FOR INFORMATION

Input on the District of Columbia's Use of Volkswagen Settlement Funds

The District of Columbia (District) is requesting public input on the potential uses of the District's Volkswagen (VW) settlement funds, resulting from the civil enforcement case, *Volkswagen "Clean Diesel" Marketing, Sales, Practices, and Products Liability Litigation*. The litigation stems from VW's use of a defeat device in its vehicles. A defeat device is a motor vehicle hardware, software, or design that interferes with or disables emissions controls under real world driving conditions, even if the vehicle passes formal emissions testing. Use of this defeat device led to excess oxides of nitrogen (NO_x) being emitted into the atmosphere. The litigation was settled by a Partial Consent Decree, which put in place a Mitigation Trust Fund that will allocate \$2.925 billion to the states, Puerto Rico, and the District. The purpose of the Mitigation Trust is to fund eligible mitigation actions that replace diesel emission sources with cleaner technology to reduce excess emissions of NO_x caused by the violating cars. **The District is expected to receive a total of \$8.125 million of settlement funds from this litigation.** The funding is to be utilized on eligible mitigation actions, as defined in the Partial Consent Decree and its Appendices, specifically Appendix D-2¹.

In order to use the VW settlement funds, the District must develop a Mitigation Plan that outlines the use of the funds for eligible projects over a 10-year period, with the ultimate goal of offsetting the air quality impacts, primarily NO_x pollution, that occurred due to the defeat devices on VW vehicles. Mayor Bowser selected the District's Department of Energy and Environment (DOEE) to serve as the lead agency to coordinate the use of the District's allocation of the VW settlement funds. This Request for Information (RFI) is the first step DOEE is taking to formulate the Mitigation Plan for the District. The District's Mitigation Plan will take the feedback received from this RFI into consideration.

DOEE is soliciting input on this RFI from all interested parties. **Stakeholders responding to this RFI are asked to provide feedback regarding how the District's allocation of the VW settlement funds should be distributed and spent; how to maximize the air quality benefits resulting from the use of the settlement funds; whether the District should give preference to certain fuels, such as diesel, compressed natural gas, propane, hydrogen fuel cell or battery electric; and how to determine if a proposed mitigation action will benefit vulnerable populations and disadvantaged communities.**

This document is a RFI only – it is not being posted as the actual Mitigation Plan, nor does it constitute a Request for Proposal (RFP) or Request for Application (RFA) or a promise to issue a

¹ Appendix D-2 of the Consent Decree (<https://www.vwcourtsettlement.com/en/2-0-models/>) gives details of eligible mitigation actions and it can be found at: <https://www.vwcourtsettlement.com/en/docs/DOJ/Approved%20Appendix%20D-2.pdf>

RFP or RFA in the future. Respondents are advised that DOEE will not pay for any information or administrative costs incurred in response to this RFI; all costs associated with responding to this RFI will be solely at the interested party's expense. Not responding to this RFI does not preclude participation in any future RFP or RFA.

The RFI is attached on the following pages.

The deadline for RFI responses is August 11, 2017, at 5:00pm. Input should be submitted via e-mail (preferred) or mail to the address below.

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Potential Uses of the District of Columbia’s Volkswagen Settlement Funds

Introduction

The District of Columbia (District) expects to receive \$8.125 million of settlement funds as a result of the civil enforcement case, *Volkswagen “Clean Diesel” Marketing, Sales, Practices, and Products Liability Litigation*. The litigation stems from Volkswagen’s (VW) use of a defeat device in its diesel vehicles, which enabled the vehicles to emit levels of oxides of nitrogen (NOx) significantly in excess of the limits set by the U.S. Environmental Protection Agency (EPA). The settlement funds are primarily intended to mitigate excess NOx emissions from diesel vehicles. Table 1 shows the timeline for the establishment of the Mitigation Trust (Trust), which is the entity that will disburse settlement funds to each jurisdiction, including the District.

Table 1: Timeline for the Mitigation Trust²

| Event | Approximate Timeline |
|--|---|
| The final version of the Trust takes effect (TED). Wilmington Trust was selected as Trustee in March 2017. | Summer 2017 |
| Jurisdictions apply to submit Beneficiary Certification Form to become Beneficiaries of the Trust | Summer/Fall 2017 (TED + 60 days) |
| The District is notified of Beneficiary Designation | Fall 2017 (Within 120 days of TED) |
| The District submits Mitigation Plan | Fall 2017/Winter 2017-2018 (90 days after being designated as a beneficiary) |
| The District begins to receive funds | Early 2018 |

NOx Air Pollution Emissions in the District

NOx is hazardous to human health. Breathing air with high levels of NOx negatively impacts people’s respiratory systems, and can contribute to asthma.

DOEE’s Air Quality Division compiles the air pollution emissions inventory for the District and uploads it to the EPA’s National Emissions Inventory database. Figure 1 and Table 2 below show the NOx emissions for calendar year 2014, which is the most recent emissions inventory year. The sources of NOx emissions in the District include area sources, off-road and on-road

² The timeline depends on the Trust Effective Date (TED), which is the date when the Trust goes into effect. The TED has not yet been determined.

mobile sources, and stationary industrial sources. Area sources include small disperse sources such as gas stations and auto body shops. Off-road and on-road sources make up the mobile sector. Off-road sources include construction and lawn/garden equipment, portable generators, locomotives and marine engines; on-road sources include any highway vehicles. Stationary industrial sources are sources emitting pollution from a single location, such as industries and power plants.

Table 2: Annual Emissions of NOx in the District for 2014³

| Sector | NOx Emissions (tons/year) | Percentage (%) |
|-------------------------------|---------------------------|----------------|
| Area Sources | 1,636 | 21 |
| Off-road Vehicles & Equipment | 2,136 | 27 |
| On-road Vehicles | 3,580 | 46 |
| Stationary Industrial Sources | 451 | 6 |
| Total | 7,803 | 100 |

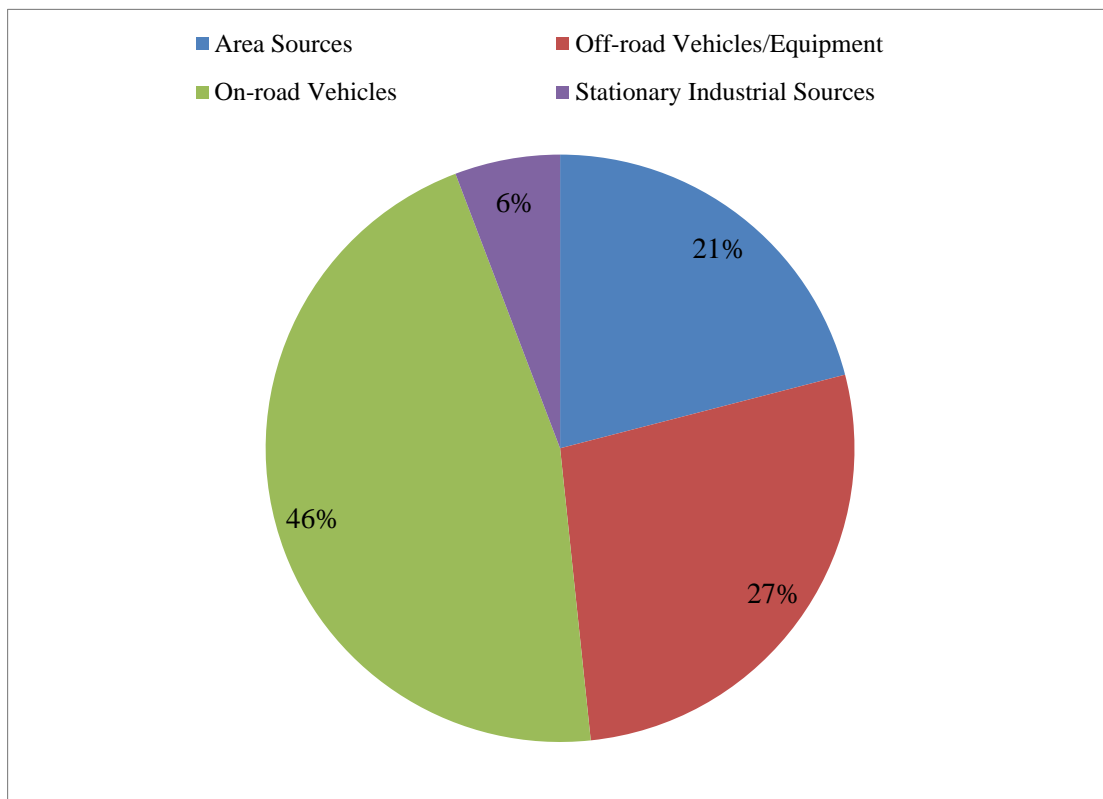


Figure 1: 2014 NOx Emissions from All Sectors in the District (Total: 7,803 tons/year)⁴

³ Source: EPA's National Emissions Inventory database.

⁴ Source: EPA's National Emissions Inventory database.

The mobile sector (on-road and off-road vehicles) is the largest contributor of NOx emissions in the District; on-road and off-road vehicles together contribute 5,716 tons per year or 73 percent of NOx emissions (see Figure 1).

Figure 2 shows emissions from diesel vehicle sub-categories within the mobile sector and they contribute a total of 3,106 tons of NOx emissions per year. As summarized in Table 2, the mobile sector generated 5,716 tons of NOx in the District; diesel vehicles accounted for 3,106 tons or 54 percent of mobile sector NOx emissions, while gasoline vehicles accounted for the remaining 2,610 tons of mobile sector NOx emissions.

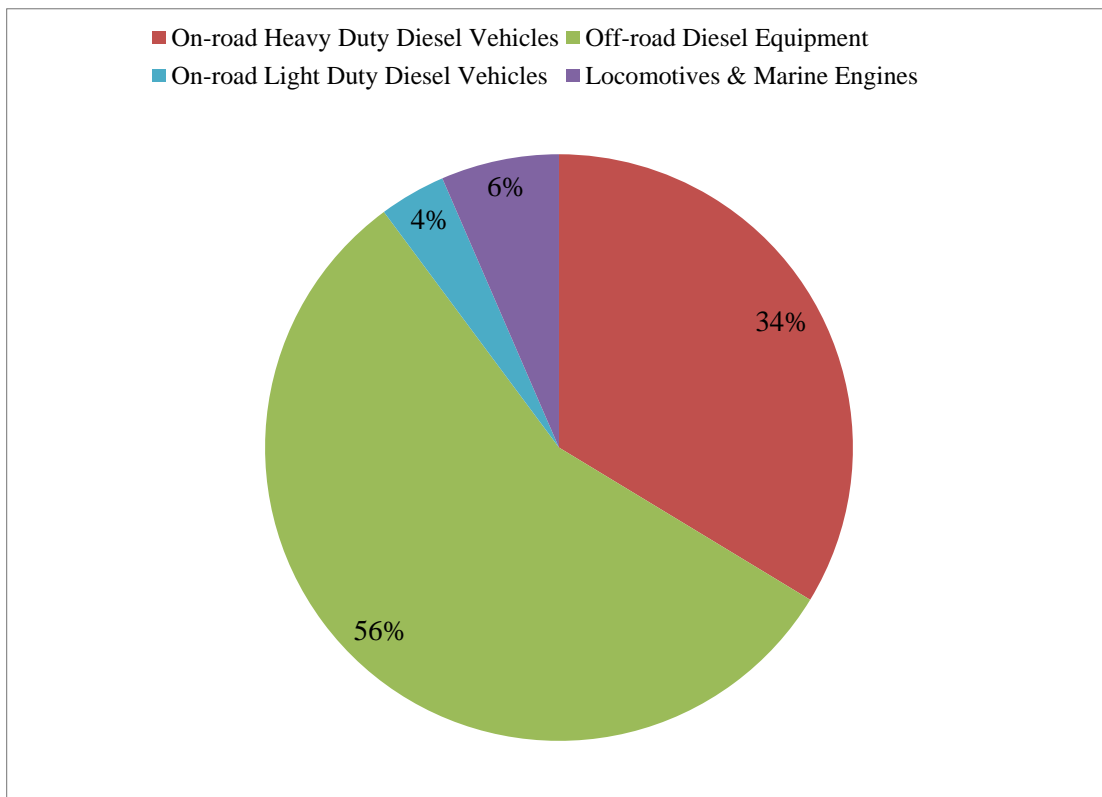


Figure 2: 2014 NOx Emissions from Mobile Diesel Sources in the District (Total: 3,106 tons/year)

Goals under Consideration for the District’s Mitigation Plan

The District plans to select and implement mitigation actions with the VW settlement funds that will achieve the following goals:

- Distribute air quality benefits across the entire District;
- Offset the excess NOx pollution from diesel engines by carrying out mitigation actions that offer high long-term reductions in NOx emissions, as well as reductions in other pollutants and greenhouse gases (GHG) from diesel engines; and

- Advance environmental justice by assisting the most vulnerable and impacted populations (including children and seniors), and disadvantaged communities in the District.

Eligible Mitigation Actions

The District can only use VW settlement funds for eligible mitigation actions. A complete list of eligible mitigation actions is provided in Appendix D-2 of the VW Consent Decree. Mitigation actions for privately owned vehicles and equipment require matching funds.

Some eligible mitigation actions are not applicable to the District; for example, port drayage trucks, marine shore power, airport ground support equipment, and port cargo handling equipment. Listed below are the eligible mitigation actions DOEE considers viable in the District:

- Replacement and repower of large (class 8 vehicles) trucks and medium (class 4-7) trucks (e.g., trash trucks, street sweepers)
- Replacement of school buses and transit buses
- Repower of ferries and tugs
- Replacement or repower of forklifts and other maintenance equipment (e.g., snow removal equipment)
- Light duty zero emission vehicle (ZEV)⁵ charging infrastructure (e.g., electric charging stations). The District can choose to spend between zero and 15 percent of the District's allocation of VW settlement funds for this mitigation action.
- Diesel Emission Reduction Act (DERA) option projects
 - On-road/off-road diesel engines (e.g., generators, snowplows, lawn & garden and other maintenance equipment)
 - Marine engines
 - Locomotives/switchers

The DERA option provides additional funding for certain mitigation actions through a grant from EPA. If the District matches the VW settlement funds with the DERA grant on a one-to-one basis for DERA-eligible mitigation actions, EPA will provide a 50 percent bonus to the District's base grant. For example, if the District receives a DERA base grant for \$100,000, and then uses \$100,000 of the VW settlement funds as a voluntary match, EPA will provide a 50 percent bonus, or \$50,000 more for the District's DERA grant. The DERA option also expands the list of mitigation actions that are eligible for funding with VW settlement funds.

⁵ Light duty ZEVs are any passenger vehicles that emit zero concentrations of any regulated pollutant. Examples include electric or alternative fuel vehicles.

Preliminary Mitigation Action Ideas

Of the eligible mitigation actions that are viable in the District, DOEE has developed a preliminary list of actions to gather public input on, through this RFI. Each of the mitigation action ideas listed below aligns with the goals under consideration for the District's Mitigation Plan (see page 6). The mitigation action ideas are not listed in any particular order of prioritization. It is important to note that the VW settlement funds can either be fully or partially utilized towards any of the mitigation actions listed below; for example, the District can decide to spend all the funds toward one mitigation action or distribute the funds between many different mitigation actions as needed. Table 3 provides cost information and NOx emissions reductions for each mitigation idea.

DOEE does not propose to use VW settlement funds to install ZEV charging stations in the public right of way, as Electrify America is currently planning to install these charging stations in the District.⁶ As required by the settlement, VW has agreed to a \$2 billion fund to invest in ZEV technology. Electrify America was created as part of this requirement. The District has been selected as one of the eleven metro areas that will be served in the first phase of Electrify America's installation of ZEV charging stations, which will take place in the next 30 months.

Through this RFI, DOEE welcomes public input on these mitigation action ideas, and welcomes suggestions for other mitigation actions:

1. Replace diesel-powered trash trucks in neighborhoods east of the Anacostia River with new diesel, hybrid-electric or electric vehicles.

The Department of Public Works (DPW) owns old trash trucks and they are heavily used throughout the District. These old vehicles emit high levels of NOx. Replacing old trash trucks with new trash trucks would result in significant NOx reduction benefits. Replacing old trash trucks with hybrid or EV trash trucks will result in large reductions in greenhouse gas (GHG) emissions as well as NOx. Neighborhoods east of the Anacostia River have high asthma rates, and focusing the vehicle purchases in these neighborhoods advances environmental justice. DPW currently has 22 vehicles for waste management in these communities.

There are not many manufacturers of EV trash trucks, and there have been very few pilots, so replacing the diesel trash trucks with electric trash trucks would be experimental.

2. Replace diesel-powered Circulator buses with electric buses.

The District Department of Transportation's (DDOT) Circulator buses are used directly by the public, and would replace buses that emit high levels of NOx. There

⁶ See www.electrifyamerica.com for additional information about the Electrify America effort.

would be co-benefits in reduced GHG and fine particulate emissions. Circulator bus routes exist in six of the eight Wards. DDOT is already in the process of purchasing all-electric buses to replace diesel Circulator buses. The VW settlement funds would enable DDOT to replace some more of its existing diesel Circulator buses with electric buses. Priority for placement of all-electric buses will be on routes serving the highest proportions of minority and low-income riders.

3. Replace diesel-powered Metro buses with new compressed natural gas buses or diesel-electric hybrid buses.

The Washington Metropolitan Area Transit Authority (WMATA) operates transit service in the Washington metropolitan area. WMATA maintains a diesel bus fleet for Metro bus service in the District. These buses are used directly by the public in all eight of the District's Wards. The proposed project, in partnership with WMATA, is to replace older buses that emit high levels of NO_x. There would be co-benefits in reduced GHG and fine particulate emissions. There is also a possibility for a pilot of all-electric transit buses.

4. Replace or repower old switcher locomotives with newer engines.

Switcher locomotives generally have old diesel engines (30-40 years old) that emit very large amounts of NO_x. As shown in Table 3, switcher locomotive replacement would result in the greatest amount of NO_x reductions. The switchers operate mainly in the Ivy City and Union Station railyards. However, this type of project would require cost-share from partners such as Amtrak. Mitigation actions on switcher locomotives under the DERA option are eligible for supplemental funding through federal grants to the District.

5. Replace District-owned diesel generators.

The Department of General Services (DGS) operates several diesel generators at District facilities, including public schools. Many of these generators are old and operate more than 500 hours each year. As non-road engines, replacement or repower of these generators would be an eligible mitigation action. Because so many generators are located at schools and generate emissions in close proximity to youth, replacement or repower of these engines could be a significant benefit to vulnerable populations (children).

Approximately 12 percent of settlement funds (approximately \$975,000) will be set aside for DOEE personnel costs to provide project management and coordination. This funding represents one full-time employee for 10 years. The remaining \$7.15 million will be allotted to the selected mitigation actions.

Table 3: Summary of vehicle and equipment costs and NOx emission benefits for each mitigation action idea⁷

| Mitigation Action Ideas | Per Unit Cost | NOx Reduction (lbs/year) |
|--|---------------------------|--------------------------|
| Trash Trucks | | |
| -New Diesel Vehicle | \$210,000 | 884 |
| -Hybrid Electric Diesel Vehicle | \$260,000 | 884 |
| -Electric Vehicle | \$670,000 ⁸ | 942.1 |
| | | |
| Transit Bus⁹ | | |
| -New Diesel Vehicle | \$561,000 | 1,119 |
| -Hybrid Electric Diesel Vehicle | \$694,000 | 1,119 |
| -Electric Vehicle | \$1,104,000 ¹⁰ | 1,175 |
| -Compressed Natural Gas (CNG) Vehicle | \$460,000 | 1,153 |
| | | |
| Diesel Emissions Reduction Act (DERA) Option¹¹ | | |
| -Switcher Locomotives | \$1,300,000 | 100,000 |
| -Ferries/Tugs (Potomac River Cruise) | \$725,000 | 8,000 |
| | | |
| Diesel Generators | | |
| -New Diesel Equipment | \$95,000 | 1,584 |

⁷ Source: AFLEET Tool

⁸ Cost is for vehicle only and does not include EV charging infrastructure.

⁹ Transit Bus consist of replacement of a Metro bus or DC Circulator bus

¹⁰ Cost includes the bus as well as add-ons, including EV charging infrastructure and warranties.

¹¹ Note: DERA option will bring in additional funding through federal grants and 50% bonus to the base grant award.