

State of Illinois



Beneficiary Mitigation Plan

Volkswagen Environmental Mitigation Trust Agreement



Illinois Environmental Protection Agency

August 2018

TABLE OF CONTENTS

- I. INTRODUCTION
- II. VOLKSWAGEN CASE BACKGROUND AND SETTLEMENT SUMMARY
 - A. CASE BACKGROUND
 - B. SETTLEMENT SUMMARY
- III. ILLINOIS AIR QUALITY – OZONE
- IV. ILLINOIS’ BENEFICIARY MITIGATION PLAN
 - A. BENEFICIARY MITIGATION PLAN REQUIREMENTS
 - B. ILLINOIS’ OVERALL GOALS FOR THE USE OF THE FUNDS
 - C. VOLKSWAGEN VEHICLES IN ILLINOIS
 - D. CATEGORIES OF ELIGIBLE MITIGATION ACTIONS AND PROJECTED ALLOCATIONS OF TRUST FUNDS
 - E. POTENTIAL BENEFICIAL IMPACT
 - F. EXPECTED RANGES OF EMISSIONS BENEFITS
 - G. PUBLIC INPUT
- V. CONCLUSION

FIGURES

- Figure 1: NOx Emissions Contributions from Mobile and Stationary Sources – Statewide; 2008 Chicago Ozone Nonattainment Area; and 2008 Metro-East St. Louis Ozone Nonattainment Area
- Figure 2: Initial 2008 and 2015 Illinois Ozone Nonattainment Areas by County
- Figure 3: Volkswagen Settlement Vehicle Registrations by Zip Code
- Figure 4: Volkswagen Vehicle Registrations by Zip Code versus Environmental Justice Areas - Illinois
- Figure 5: Volkswagen Vehicle Registrations by Zip Code versus Environmental Justice Areas – Chicago Area
- Figure 6: Volkswagen Vehicle Registrations by Zip Code versus Environmental Justice Areas – Metro-East St. Louis Ozone Nonattainment Area
- Figure 7: Illinois Volkswagen Funding Priority Areas Map

I. INTRODUCTION

The Illinois Environmental Protection Agency (“Agency”) has been designated as the lead agency to administer funds allocated to Illinois from the Volkswagen Environmental Mitigation Trust Agreement for State Beneficiaries (“Trust Agreement”). As directed by the Trust Agreement, these funds are to be used for environmental mitigation projects that reduce emissions of nitrogen oxides (“NO_x”) in Illinois. In compliance with Section 4.1 of the Trust Agreement, Illinois has submitted this final Beneficiary Mitigation Plan (“BMP”), which addresses Illinois’ plan for use of the funds, to the Volkswagen Trustee, and has made it publicly available. This final BMP proposes to fund new, cleaner diesel, alternate fuel and all-electric projects, as well as zero emission vehicle (“ZEV”) supply equipment. This BMP is not binding and may be revised at any time.

II. VOLKSWAGEN CASE BACKGROUND AND SETTLEMENT SUMMARY

A. Case Background

On January 4, 2016, the United States, on behalf of the United States Environmental Protection Agency (“U.S. EPA”), filed a complaint against Volkswagen AG, et al. (“Volkswagen”) alleging the manufacture of vehicles with prohibited defeat devices that caused emission control systems to perform differently during normal vehicle operation than during emissions testing. As a result of the defeat devices, the vehicles emitted NO_x in excess of federal vehicle emission standards. Approximately 500,000 (model year 2009 to 2015) vehicles containing 2.0 liter diesel engines and approximately 80,000 (model year 2009 to 2016) vehicles containing 3.0 liter diesel engines were affected in the country. Approximately 23,600 of the affected vehicles were registered in Illinois. The U.S. EPA has indicated that NO_x emission levels from the 2.0 liter vehicles with defeat devices were 10 to 40 times higher than federal

emission standards, and NO_x emission levels from the 3.0 liter vehicles were up to nine times higher than federal emissions standards. (U.S. Envir. Prot. Agency, Frequent Questions about Volkswagen Violations, available at <https://www.epa.gov/vw/frequent-questions-about-volkswagen-violations>)

B. Settlement Summary

Settlements were reached requiring Volkswagen to establish an Environmental Mitigation Trust (“Trust”) totaling \$2.925 billion. Affected states and tribes that become beneficiaries of the Trust will receive funds to undertake Eligible Mitigation Actions (“EMAs”) that are intended to mitigate the excess NO_x emissions from the Volkswagen vehicles. Illinois is a beneficiary of the Trust and has an initial allocation of \$108,679,676.98. The Agency has posted links to the settlements on its Volkswagen Settlement webpage (<http://www.epa.illinois.gov/topics/air-quality/vw-settlement/index>). Separate from the Trust, the Volkswagen Settlement includes a \$10 billion vehicle recall and repair program and a \$2 billion investment in ZEV infrastructure, public education and access to ZEVs.

III. ILLINOIS AIR QUALITY - OZONE

The Volkswagen vehicles equipped with defeat devices emitted excess NO_x. NO_x is a precursor to ground level ozone, an air pollutant formed when NO_x and volatile organic compounds react in the presence of sunlight. NO_x emissions from mobile sources represent 74.8 percent of total NO_x emissions in Illinois, 87.6 percent of total NO_x emissions in the 2008 Chicago ozone nonattainment area, and 69.1 percent of total NO_x emissions in the 2008 Metro-East St. Louis ozone nonattainment area (see Figure 1). As a result, reducing NO_x emissions from diesel engines is an important strategy in reducing overall NO_x emissions, reaching attainment of the ozone standard in nonattainment areas, and improving air quality in Illinois.

Figure 1 - NOx Emissions Contributions from Mobile and Stationary Sources – Statewide; 2008 Chicago Ozone Nonattainment Area; and 2008 Metro-Eat St. Louis Ozone Nonattainment Area

Statewide NOx – Percent

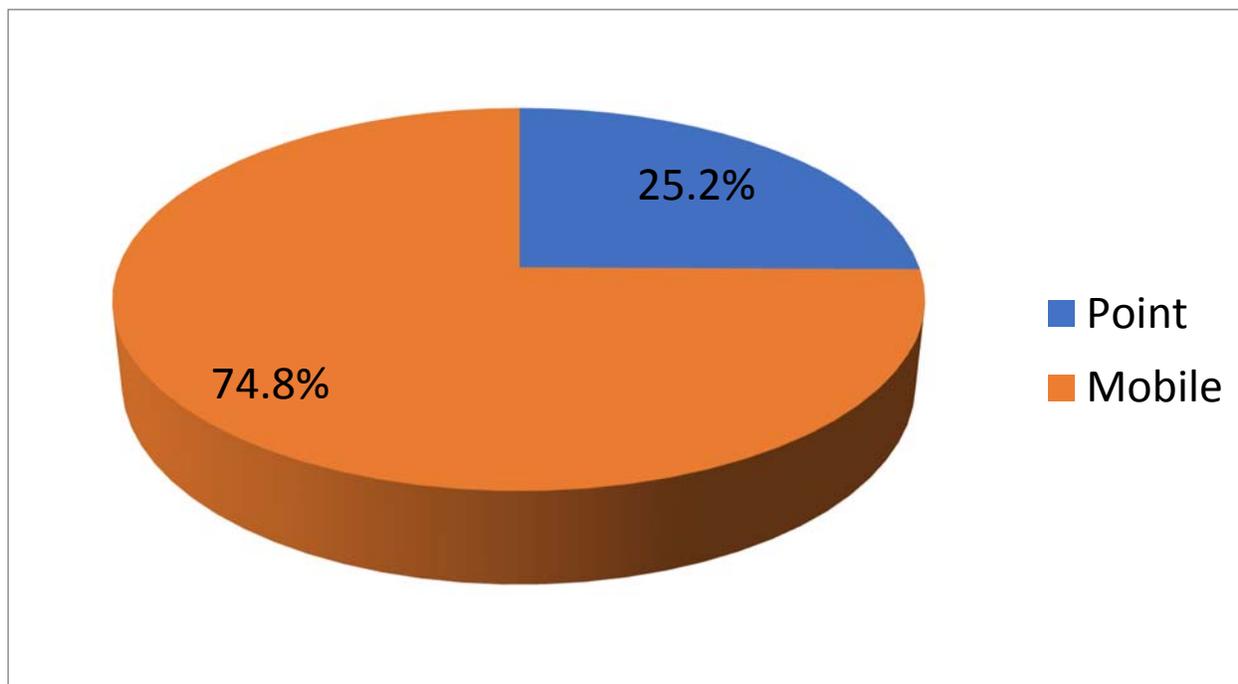
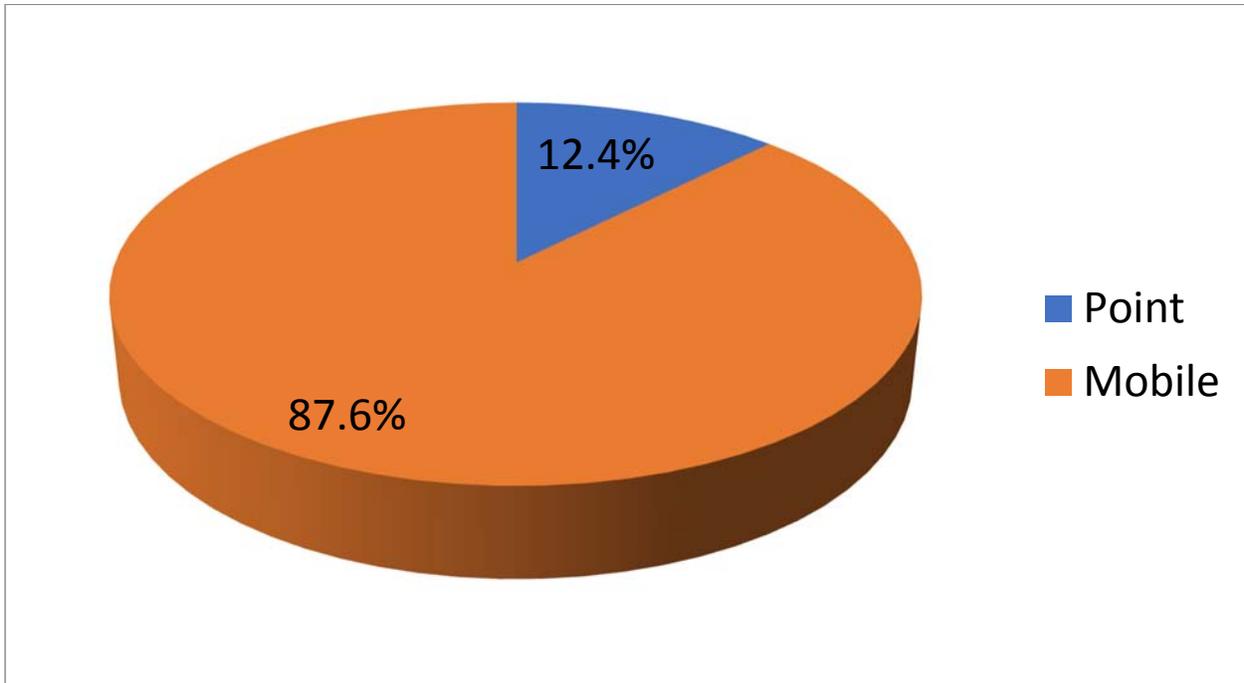
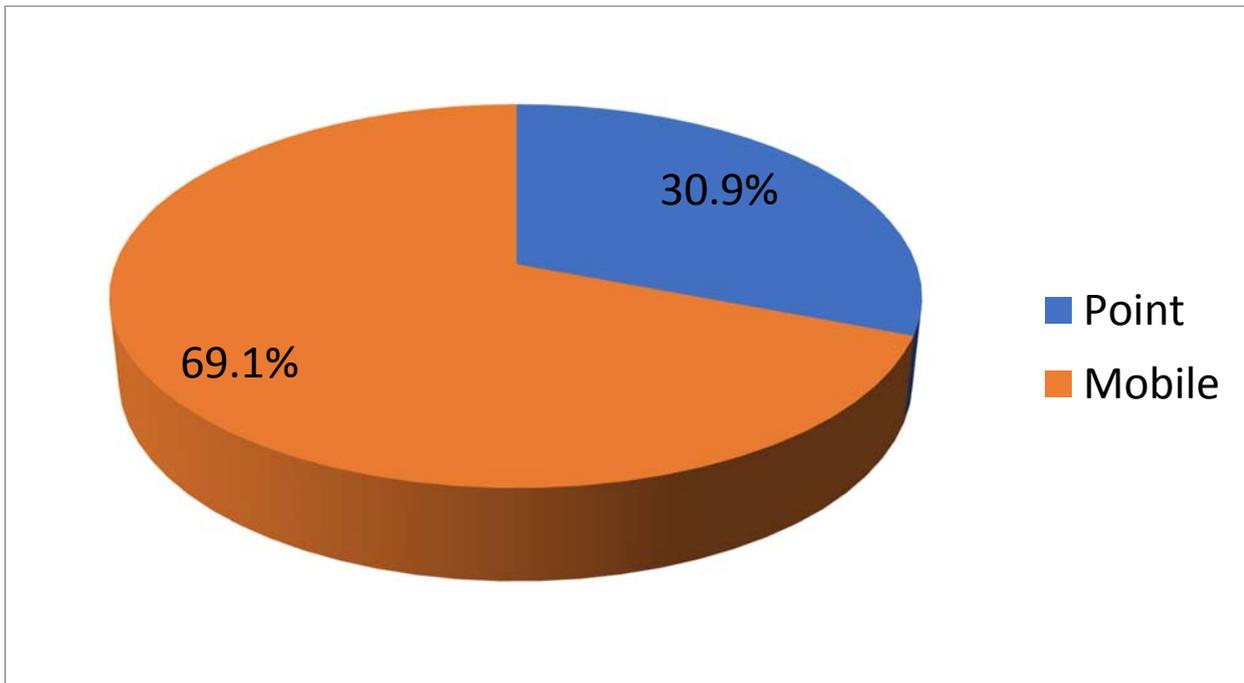


Figure 1 - Continued

2008 Chicago Ozone Nonattainment Area NOx – Percent



2008 Metro-East St. Louis Ozone Nonattainment Area NOx - Percent



Two areas in Illinois were designated nonattainment for the 2008 ozone National Ambient Air Quality Standard (“NAAQS”) of 75 parts per billion (“ppb”)—the Chicago area (Cook, DuPage, Kane, Lake, McHenry, Will and portions of Kendall and Grundy counties) and the Metro-East St. Louis area (Madison, Monroe and St. Clair counties). In May 2017, the Agency requested that U.S. EPA redesignate the Metro-East St. Louis nonattainment area to attainment based on air quality analyses demonstrating that the area was meeting the standard. In March 2018, the U.S. EPA redesignated this area to attainment for the 2008 ozone NAAQS because this area met the statutory requirements for redesignation under the Clean Air Act. The Chicago nonattainment area, on the other hand, is not currently eligible for redesignation. Figure 2 includes a map of Illinois identifying the initial 2008 ozone nonattainment areas by county.

In June 2018, two areas in Illinois were designated nonattainment for the 2015 ozone NAAQS of 70 ppb – the Chicago area (Cook, DuPage, Kane, Lake, Will and portions of Kendall and Grundy counties) and the Metro-East St. Louis area (Madison and St. Clair counties). These two areas have been classified as marginal nonattainment under this standard. Figure 2 includes a map of Illinois identifying the initial 2015 ozone nonattainment areas by county.

Figure 2

Initial 2008 Illinois Ozone Nonattainment Areas by County

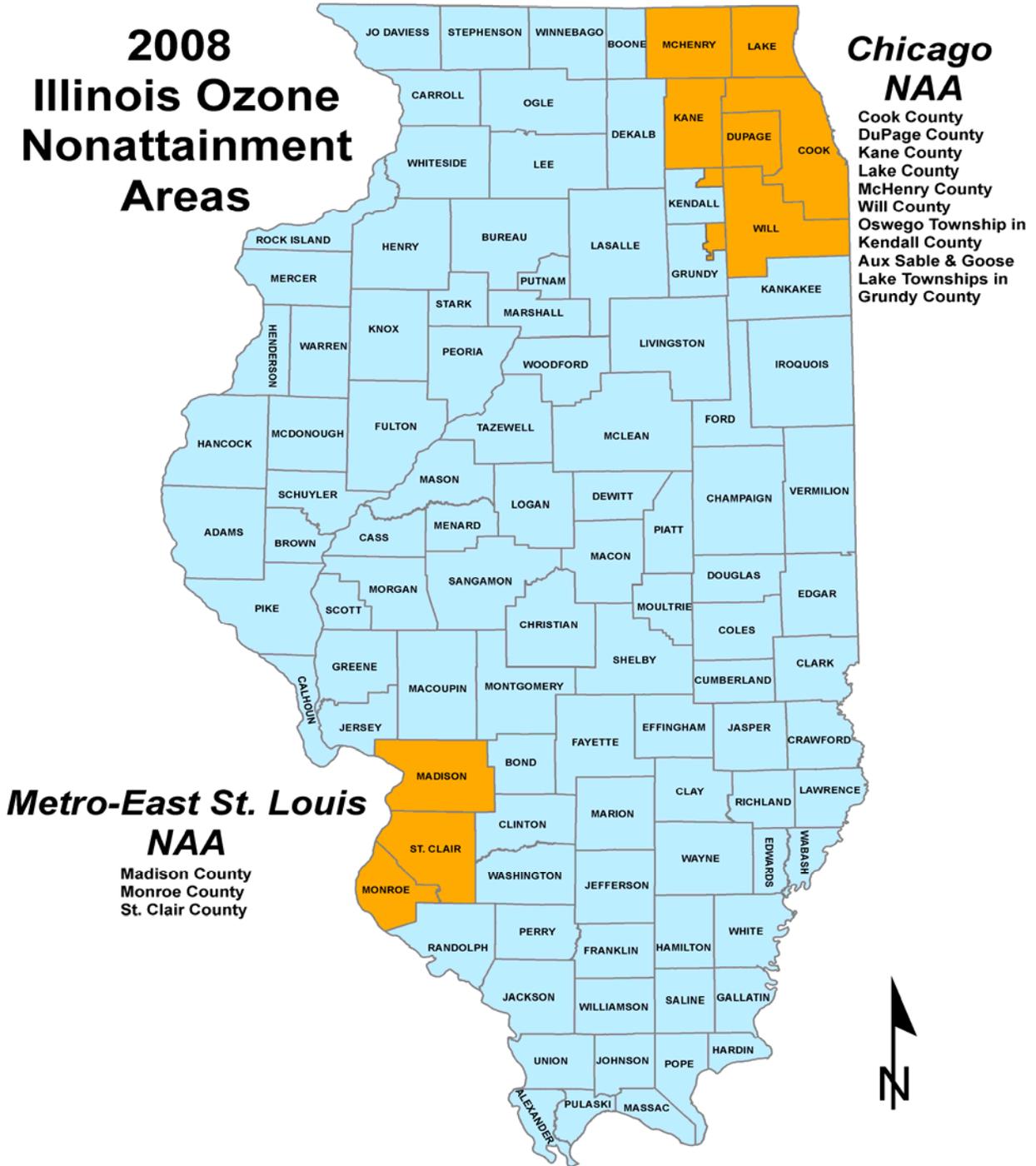
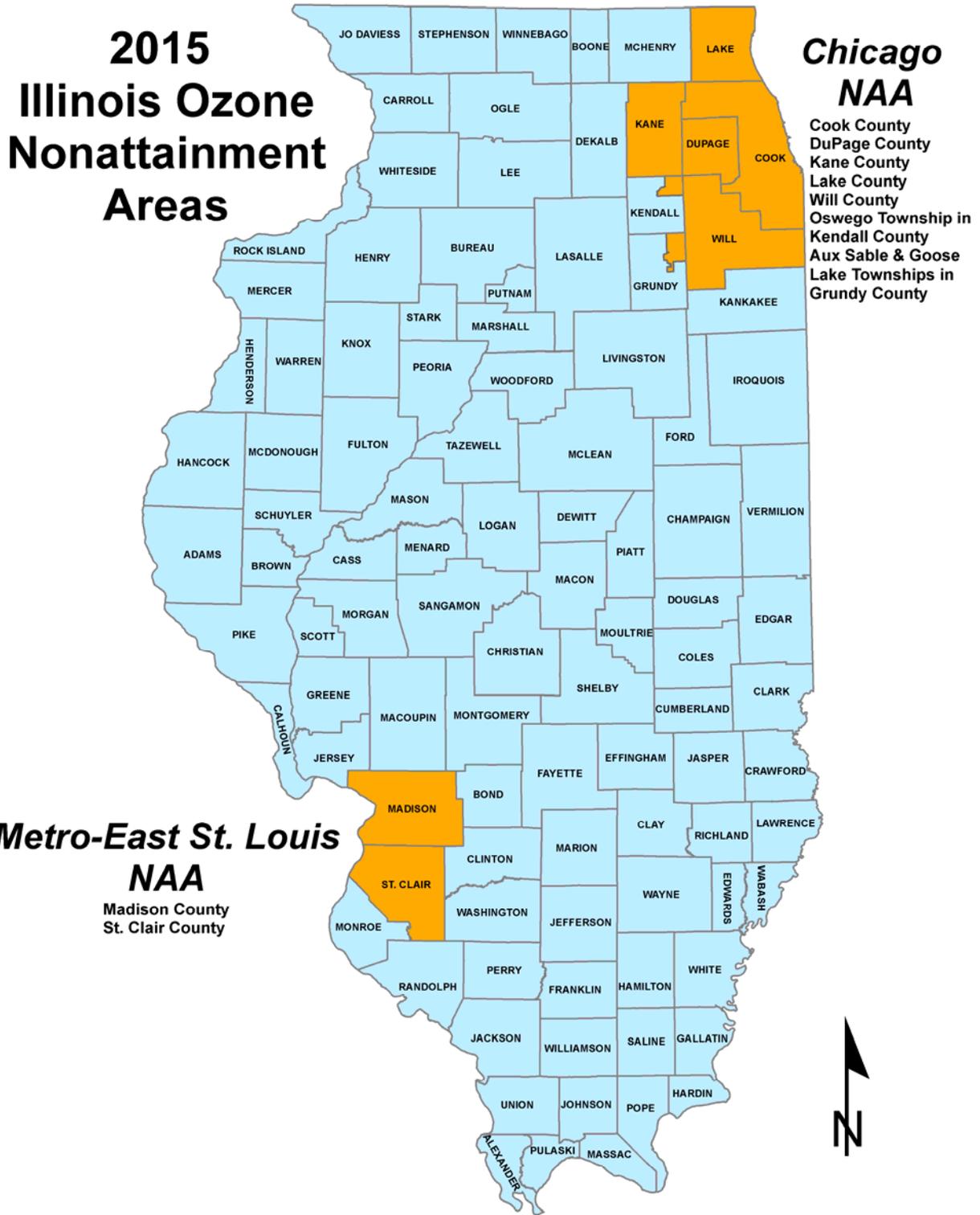


Figure 2 Continued

Initial 2015 Illinois Ozone Nonattainment Areas by County



IV. ILLINOIS' BENEFICIARY MITIGATION PLAN

A. Beneficiary Mitigation Plan Requirements

Pursuant to Section 4.1 of the Trust Agreement, the BMP must include the following:

- Illinois' overall goals for use of the Trust funds;
- The categories of EMAs Illinois anticipates will be appropriate to achieve those goals, and a preliminary assessment of the percentages of funds anticipated to be used for each type of EMA;
- A description of how Illinois will consider the potential beneficial impact of the selected EMAs on air quality in areas that bear a disproportionate share of the air pollution burden;
- A general description of the expected ranges of emission benefits Illinois estimates will be realized by implementation of the EMAs; and
- The process for seeking and considering public input on Illinois' BMP.

Under the Trust Agreement, states have the discretion to adjust their goals and specific spending plans. For that reason, the BMP is a living document. The Agency will provide updates of the BMP (if any) to the Trustee and post the updated versions on its Volkswagen Settlement webpage. The BMP is not a request for projects. As such, it does not include details regarding applications for funding or the project selection process. The Agency will provide notice of funding opportunities and application materials, including the information regarding the project selection process, on its Volkswagen Settlement webpage.

The Trust Agreement provides that the following categories of EMAs are eligible to receive funding from the Trust:

1. Class 8 Local Freight Trucks and Port Drayage Trucks;

2. Class 4-8 School, Shuttle, or Transit Buses;
3. Freight Switchers;
4. Ferries/Tugs;
5. Ocean Going Vessels Shorepower;
6. Class 4-7 Local Freight Trucks;
7. Airport Ground Support Equipment;
8. Forklifts and Port Cargo Handling Equipment;
9. Light Duty ZEV Supply Equipment; and
10. Non-Federal Voluntary Matches Under the Diesel Emission Reduction Act (“DERA”).

Eligible vehicles and equipment may either be repowered with a newer, cleaner diesel, alternate fuel, or all-electric engine, or replaced entirely with a new, cleaner diesel, alternate fuel, or all-electric vehicle. Funding for government owned eligible vehicles and equipment may be up to 100 percent, while funding for non-government owned vehicles and equipment ranges from up to 25 percent to up to 75 percent, depending on whether it is repowered or replaced and whether the repower or replacement is newer, cleaner diesel, alternate fuel, or all-electric.

For Option 9 above, Illinois may use up to 15 percent of its allocation on the costs necessary for, and directly connected to, the acquisition, installation, operation, and maintenance of new light duty ZEV supply equipment. This 15 percent allotment is further subject to the funding limitations set forth in the Trust Agreement. Separately, funding for all-electric charging infrastructure may be provided on a project-specific basis within individual EMAs.

The Trust Agreement provides that beneficiaries may use up to 15 percent of Trust funds for actual administrative expenditures associated with implementing EMAs. Administrative

expenditures may include costs for personnel, fringe benefits, travel, supplies, contractual services and goods, construction, and other costs.

B. Illinois' Overall Goals for Use of the Funds

Illinois will use the Trust funds to support projects that will:

- Reduce NO_x emissions in areas where the affected Volkswagen vehicles were registered while taking into consideration areas that bear a disproportionate share of the air pollution burden, including environmental justice areas;
- Maximize emission reductions; and
- Maximize and leverage funding.

Illinois has prioritized areas of the State for funding as discussed below in Section IV(E). Illinois will prioritize and select projects that are the most cost-effective and that yield the largest amount of NO_x emission reductions, utilizing U.S. EPA's Diesel Emissions Quantifier ("DEQ") tool, the Alternative Fuel Life-Cycle Environmental and Economic Transportation ("AFLEET") tool and/or other appropriate methodologies, though Illinois may consider other criteria in selecting projects. The Agency intends on having a minimum of 3 application funding periods. More information regarding the application process will be provided on the Agency's Volkswagen Settlement webpage (<http://www.epa.illinois.gov/topics/air-quality/vw-settlement/index>) as it becomes available.

To spread out the Trust funds as much as possible, Illinois will require the following cost shares. For non-government applicants, Illinois will require a cost share of at least 50 percent, or a higher cost share where specified by the Trust Agreement or DERA (where the DERA option is utilized). For government applicants, Illinois will require a cost share of at least 25 percent, or a higher cost share where specified by DERA (where the DERA option is utilized). Federal

agencies will be treated as non-government applicants consistent with the definition of “government” in the Trust Agreement. In response to public input, Illinois will treat a privately-owned school bus under contract with a public school district as a government owned bus for purposes of the required cost share as allowed by the Trust Agreement. Therefore, funding for a privately-owned school bus under contract with a public school district will require a cost share of 25 percent.

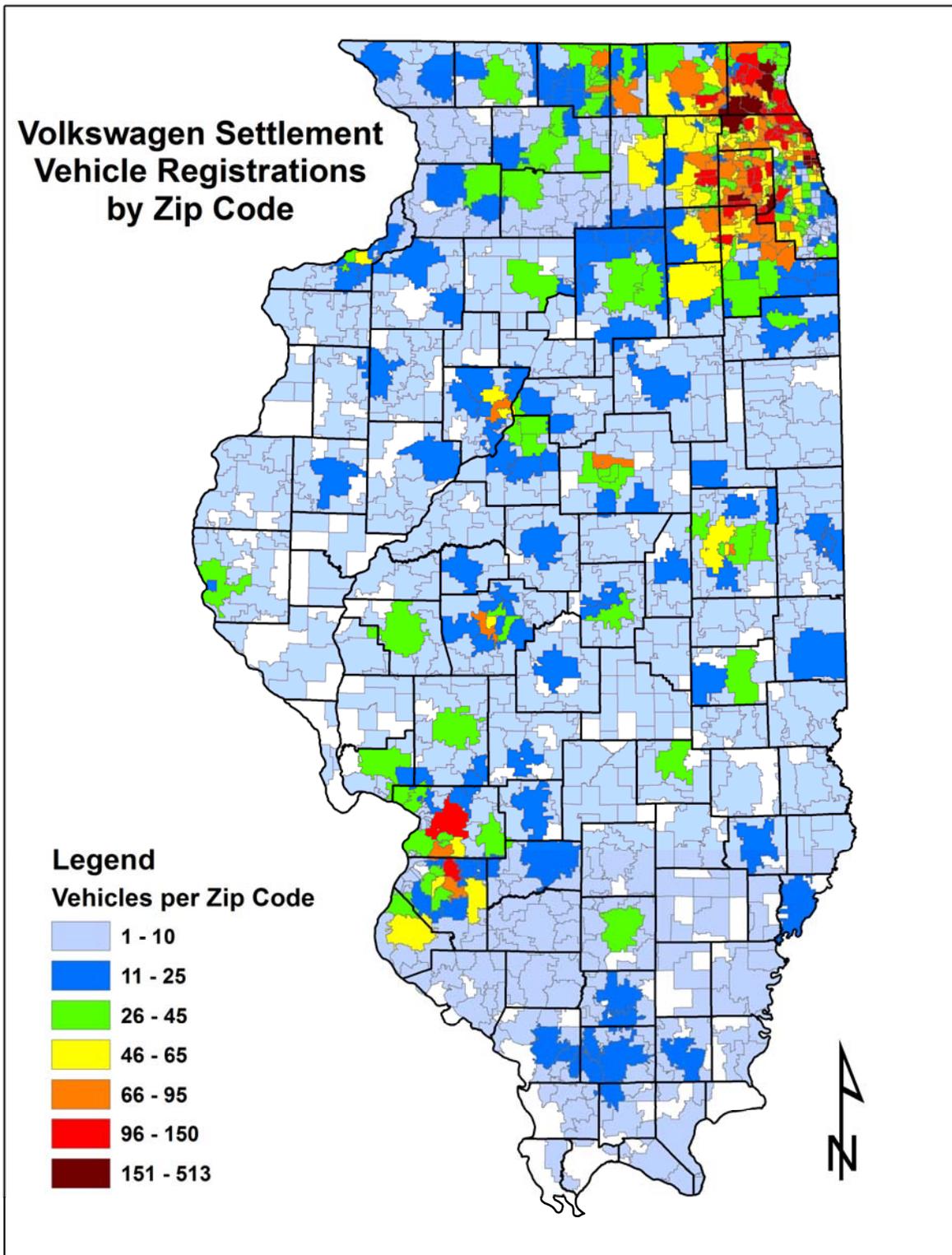
C. Volkswagen Vehicles in Illinois

There were approximately 23,600 affected Volkswagen vehicles registered throughout Illinois. Figure 3 identifies affected Volkswagen vehicle registrations in Illinois by zip code. Approximately 69.5 percent of the affected Volkswagen vehicles were registered in the Chicago ozone nonattainment area (Cook, DuPage, Kane, Lake, McHenry, Will and portions of Kendall and Grundy counties)¹. Approximately 32 percent were registered in Cook County alone with the highest concentration of affected Volkswagen vehicles per square mile located in and just north of the Chicago Loop. Approximately 4.91 percent of the affected Volkswagen vehicles were registered in the Metro-East St. Louis ozone nonattainment area (Madison and St. Clair counties)². The remaining affected Volkswagen vehicles were spread throughout the State in the ozone attainment area. The Illinois ozone attainment counties with 1 percent or greater affected Volkswagen vehicle registrations are Champaign, DeKalb, LaSalle, McLean, Peoria, Sangamon, and Winnebago.

¹ Note, this is the Chicago nonattainment area for 2008 ozone NAAQS. McHenry County is not included in the Chicago nonattainment area for the 2015 ozone NAAQS.

² Note, this is the Metro-East St. Louis nonattainment area for the 2015 ozone NAAQS.

Figure 3 - Volkswagen Settlement Vehicle Registrations by Zip Code



D. Categories of Eligible Mitigation Actions and Projected Allocations of Trust Funds

Illinois has categorized the types of EMAs it will consider funding into the following seven groups by project type: 1) light duty zero emission vehicle supply equipment projects; 2) public transit projects; 3) all-electric school bus projects; 4) non-electric school bus projects; 5) Class 4-8 local freight truck projects; 6) off-road projects; and 7) administrative expenditures. The types of EMAs Illinois will consider funding as well as overall funding amounts Illinois intends on allocating for each group are provided below. These groups, EMAs, and funding allocations may be revised based on market demand or changes to Illinois' goals.

For all projects provided below, Illinois anticipates funding both government and non-government projects. Further, Illinois will require a cost share of at least 50 percent from non-government applicants, or a greater cost share where specified by the Trust Agreement or DERA (where the DERA option is utilized). Illinois will reimburse government applicants up to a maximum of 75 percent of the costs for approved projects resulting in a required cost share of at least 25 percent, or a greater cost share where specified by DERA (where the DERA option is utilized). In response to public input, Illinois will treat a privately-owned school bus under contract with a public school district as a government owned bus for purposes of the required cost share as allowed by the Trust Agreement. As a result, funding for a privately-owned school bus under contract with a public school district will require a cost share of 25 percent.

In response to public input, Illinois will fund light duty ZEV supply equipment. Illinois intends on funding light duty ZEV supply equipment in later funding rounds to provide sufficient time to engage project partners, study the need for and types of ZEV supply equipment, and solicit public input on the factors Illinois should consider in funding such infrastructure. Additionally, as indicated in its draft BMP, Illinois will fund charging infrastructure on an

individual project basis where it is necessary to support the project. Illinois will require project applicants to identify whether adequate charging infrastructure will be available for any all-electric projects.

Additionally, in response to public input, Illinois has established a standalone category in which to fund new, cleaner diesel and alternate fueled school buses. While Illinois intended in its draft BMP to include these school buses in its on-road category, this fact seemed unclear to some commenters. Therefore, and to ensure additional funding is made available to such school buses, Illinois has established this standalone category.

There are three additional categories of EMAs that states may fund under the Trust Agreement: 1) airport ground support equipment; 2) forklifts and port cargo handling equipment; and 3) ocean going vessels shorepower. Illinois will consider funding airport ground support equipment and forklifts and port cargo handling equipment separately through its Clean Diesel Grant Program. Illinois is not aware of any ocean going vessels shorepower projects at this time. Therefore, at this time, Illinois does not propose to fund ocean going vessels shorepower projects.

1. Light Duty ZEV Supply Equipment Projects: Up to 10 percent (or up to \$10,867,968)

Illinois expects to request up to 10 percent (or up to approximately \$10,867,968) of the Volkswagen Trust funds allocated to Illinois for light duty ZEV supply equipment projects. As indicated above, Illinois intends on funding light duty ZEV supply equipment in later funding rounds to provide sufficient time to engage project partners, study the need for and types of ZEV supply equipment, and solicit public input on the factors Illinois should consider in funding such light duty ZEV supply equipment projects.

2. Public Transit Projects: Up to 30 percent (or up to approximately \$32,603,903)

This group includes the following types of EMAs:

- Public Transit Buses; and
- Public Passenger/Commuter Line Haul Locomotives under DERA Option 10.

Illinois expects to request up to 30 percent (or up to approximately \$32,603,903) of the Volkswagen Trust funds allocated to Illinois for the above-referenced public transit projects. These projects include, but are not limited to, replacements and repowers with new, cleaner diesel, alternate fueled, and all-electric vehicles and engines. To promote electric vehicle infrastructure, meet the purpose of the Trust Agreement and Illinois' goal to reduce and maximize NO_x reductions, and ensure against stranded electric vehicles or infrastructure, Illinois proposes to fund charging infrastructure within this group of projects where charging infrastructure is needed.

3. All-Electric School Bus Projects: Up to 10 percent (or up to approximately \$10,867,968)

Illinois expects to request up to 10 percent (or up to approximately \$10,867,968) of the Volkswagen Trust funds allocated to Illinois to replace older diesel school buses with all-electric school buses. To promote electric vehicle infrastructure, meet the purpose of the Trust Agreement and Illinois' goal to reduce and maximize NO_x reductions, and ensure against stranded electric vehicles or infrastructure, Illinois proposes to fund charging infrastructure within this group of projects where charging infrastructure is needed.

4. Non-Electric School Bus Projects: Up to 10 percent (or up to approximately \$10,867,968)

Illinois expects to request up to 10 percent (or up to approximately \$10,867,968) of the Volkswagen Trust funds allocated to Illinois to replace older diesel school buses with new, cleaner diesel and alternate fueled school buses.

5. Class 4-8 Local Freight Truck Projects: Up to 10 percent (or up to approximately \$10,867,968)

This group includes projects listed under the following EMAs:

- Class 8 Local Freight Trucks and Port Drayage Trucks; and
- Class 4-7 Local Freight Trucks.

Illinois expects to request up to 10 percent (or up to approximately \$10,867,968) of the Volkswagen Trust funds allocated to Illinois for the above-referenced projects in Illinois. These projects include replacing older, diesel vehicles with new, cleaner diesel, alternate fueled, and all-electric vehicles. To promote electric vehicle infrastructure, meet the purpose of the Trust Agreement and Illinois' goal to reduce and maximize NO_x reductions, and ensure against stranded electric vehicles or infrastructure, Illinois proposes to fund charging infrastructure within this group of projects where charging infrastructure is needed.

6. Off-Road Projects: Up to 28 percent (or up to approximately \$30,430,309)

This group includes projects listed under the following EMAs:

- Freight Switcher Locomotives; and
- Ferries/Tugs.

Illinois expects to request up to 28 percent (or up to approximately \$30,430,309) of the Volkswagen Trust funds allocated to Illinois for the above-referenced off-road or non-road projects. Off-road or non-road projects, especially those involving tug boats and locomotives, often result in the greatest amount of emission reductions and can be the most cost-effective

projects. Off-road or non-road projects include, but are not limited to, replacements or repowers with new diesel, alternate fueled, and all-electric vehicles and engines. To promote electric vehicle infrastructure, meet the purpose of the Trust Agreement and Illinois' goal to reduce and maximize NO_x reductions, and ensure against stranded electric vehicles or infrastructure, Illinois proposes to fund charging infrastructure within this group of projects where charging infrastructure is needed.

7. Administrative Expenditures: Up to 2 percent (or up to approximately \$2,173,593)

While beneficiaries may request up to 15 percent of their Volkswagen Trust allocation for administrative expenditures, as authorized in Appendix D-2 of the Trust Agreement, Illinois expects to request up to 2 percent (or up to approximately \$2,173,593) of its allocation.

Administrative expenditures may include personnel costs, fringe benefit costs, supply costs, contractual costs, and other eligible costs.

E. Potential Beneficial Impact

Illinois has prioritized areas of the State for EMA funding and anticipates funding EMAs in each of the priority areas. Priority areas were based on the following considerations:

- Counties having the greatest number of subject Volkswagen vehicle registrations;
- Counties designated nonattainment for ozone; and
- Areas that bear a disproportionate share of the air pollution burden, including environmental justice areas.

The greatest percentage of affected Volkswagen vehicles in Illinois were registered in the Chicago area. Approximately 69.5 percent of the affected Volkswagen vehicles were registered in the Chicago ozone nonattainment area (Cook, DuPage, Kane, Lake, McHenry³, Will and

³ Note, McHenry County remains designated nonattainment for the 2008 ozone NAAQS but is designated attainment for the 2015 ozone NAAQS.

portions of Kendall and Grundy counties). Approximately 32 percent were registered in Cook County alone with the highest concentration of affected Volkswagen vehicles per square mile located in and just north of the Chicago Loop. The Chicago ozone nonattainment area has a higher nonattainment classification than the Metro-East St. Louis nonattainment area had under the 2008 ozone NAAQS and remains designated nonattainment for this NAAQS whereas the Metro-East St. Louis area has now been redesignated to attainment of this NAAQS. Further, both the Chicago and Metro-East⁴ St. Louis areas are designed nonattainment for the 2015 ozone NAAQS. All other areas of Illinois are designated attainment or unclassifiable for ozone. In addition, based on the Agency's environmental justice public participation policy and mapping tool, approximately 69.8 percent, the highest percentage, of environmental justice block groups in the State are in Cook County. This means that approximately 69.8 percent of the Illinois population living in areas designated as environmental justice in the State live in Cook County. Approximately 79.3 percent of environmental justice block groups in the State are in the Chicago ozone nonattainment area. This means that approximately 79.3 percent of the Illinois population living in areas designated as environmental justice in the State live in the Chicago ozone nonattainment area. Figure 4 contains a map of Volkswagen vehicle registrations by zip code versus environmental justice areas in Illinois. Figure 5 contains a map of Volkswagen vehicle registrations by zip code versus environmental justice areas in Chicago. This confluence of factors provides evidence that the Chicago nonattainment area bears a disproportionate share of the air pollution burden in Illinois. As a result of these factors and Illinois' goals for use of the Volkswagen Trust funds, Illinois has established the Chicago nonattainment area (Cook,

⁴ Note, this area now only includes Madison and St. Clair counties.

DuPage, Kane, Lake, McHenry, Will and portions of Kendall and Grundy counties) as Priority Area 1 for funding.

Figure 4 - Volkswagen Vehicle Registrations by Zip Code versus Environmental Justice Areas - Illinois

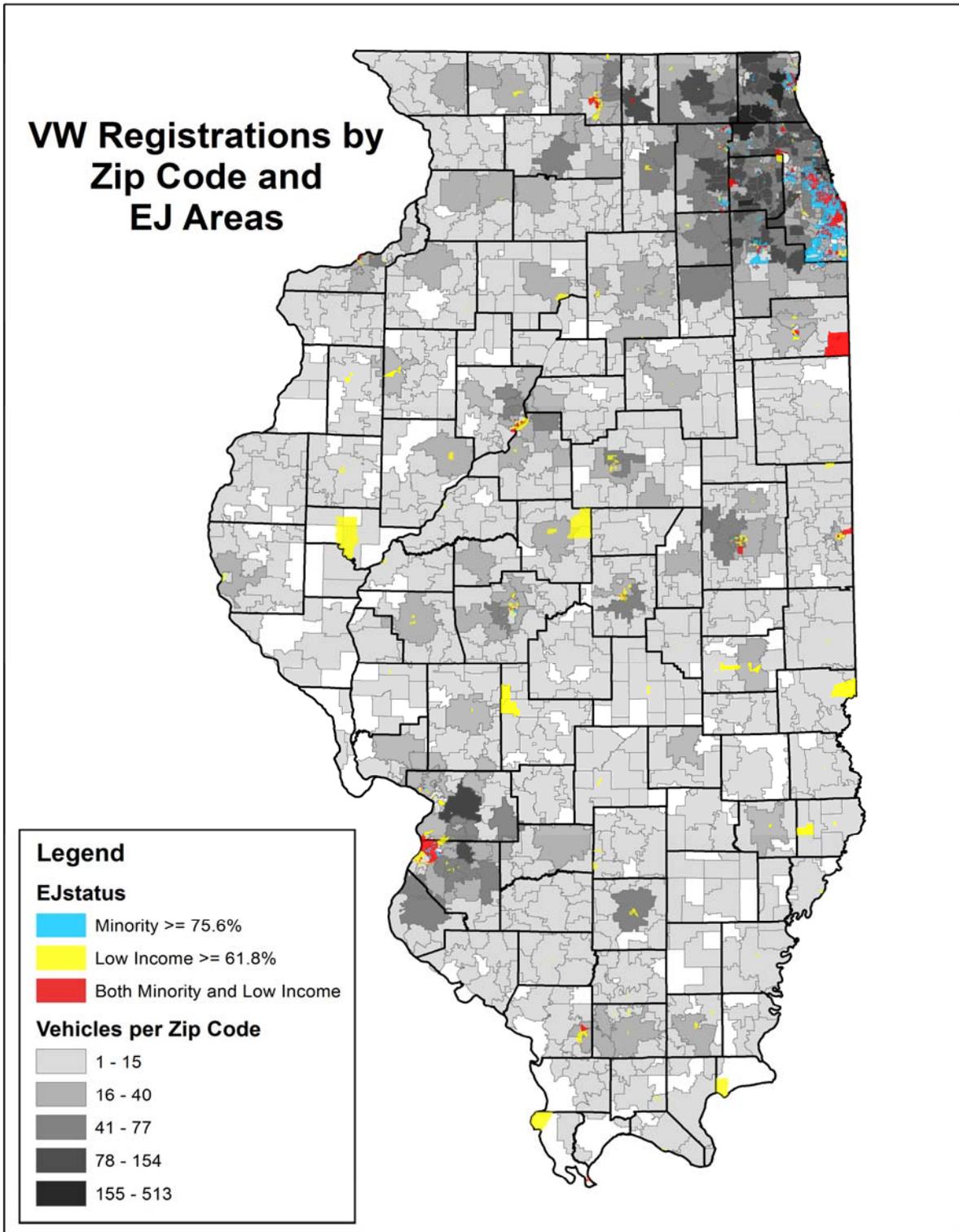
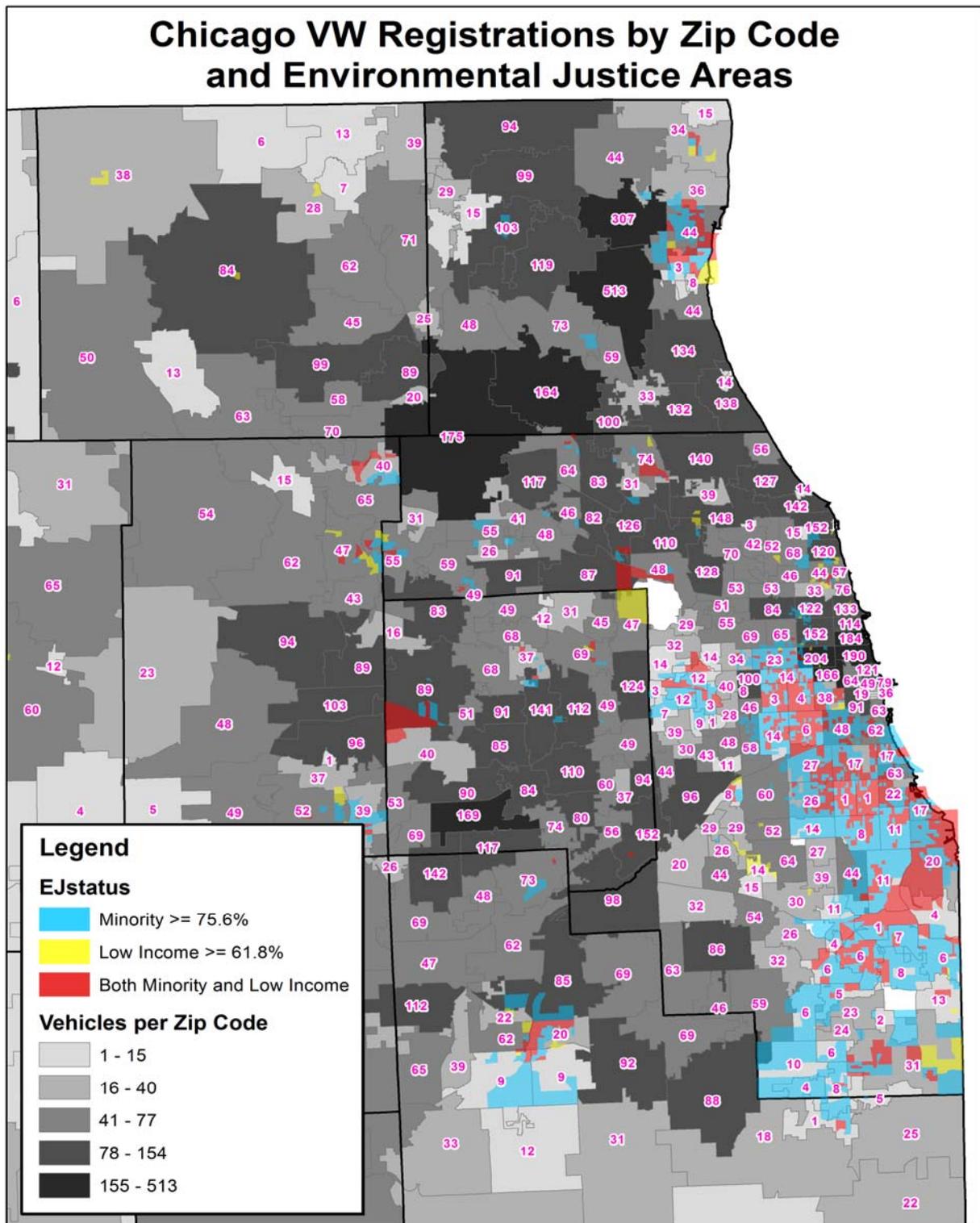


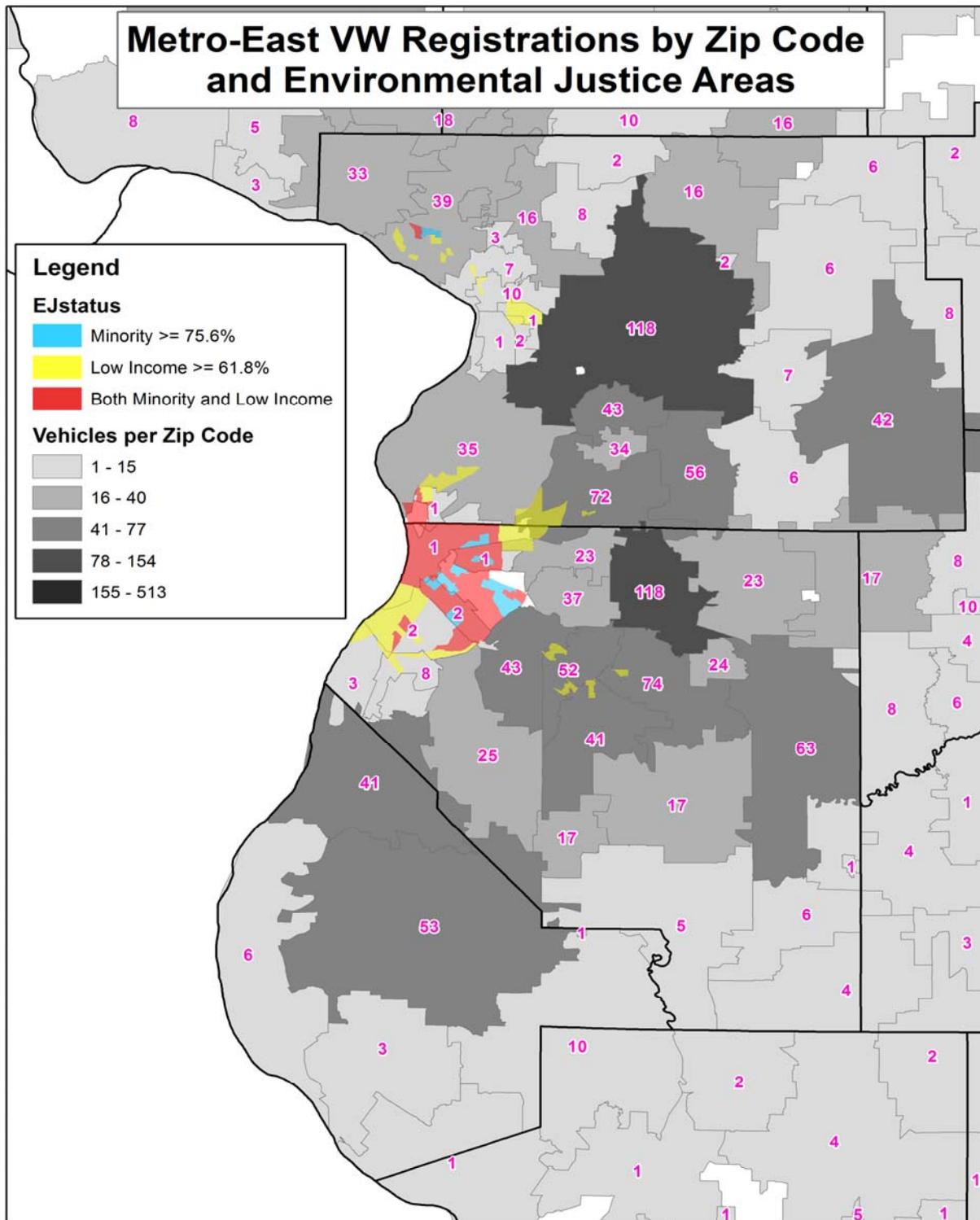
Figure 5 - Volkswagen Vehicle Registrations by Zip Code versus Environmental Justice Areas – Chicago Area



Approximately 4.91 percent of affected Volkswagen vehicles were registered in the Metro-East St. Louis ozone nonattainment area⁵. Approximately 2.9 percent, the second highest percentage outside the Chicago ozone nonattainment area, of environmental justice block groups in the State are in St. Clair County, part of the Metro-East St. Louis ozone nonattainment area. This means that approximately 2.9 percent of the Illinois population living in areas designated as environmental justice in the State live in St. Clair County. Approximately 4.1 percent of environmental justice block groups in the State are in the Metro-East St. Louis ozone nonattainment area. This means that approximately 4.1 percent of the Illinois population living in areas designated as environmental justice in the State live in the Metro-East St. Louis ozone nonattainment area. Figure 6 contains a map of Volkswagen vehicle registrations by zip code versus environmental justice areas in the Metro-East St. Louis nonattainment area. While not as significant as the Chicago nonattainment area, these facts provide evidence that the Metro-East St. Louis nonattainment area bears a disproportionate share of the air pollution burden as compared to the attainment area of Illinois. Based on these facts and Illinois' goals for use of the Volkswagen Trust funds, Illinois has established the Metro-East St. Louis nonattainment area (Madison and St. Clair counties) as Priority Area 2 for funding.

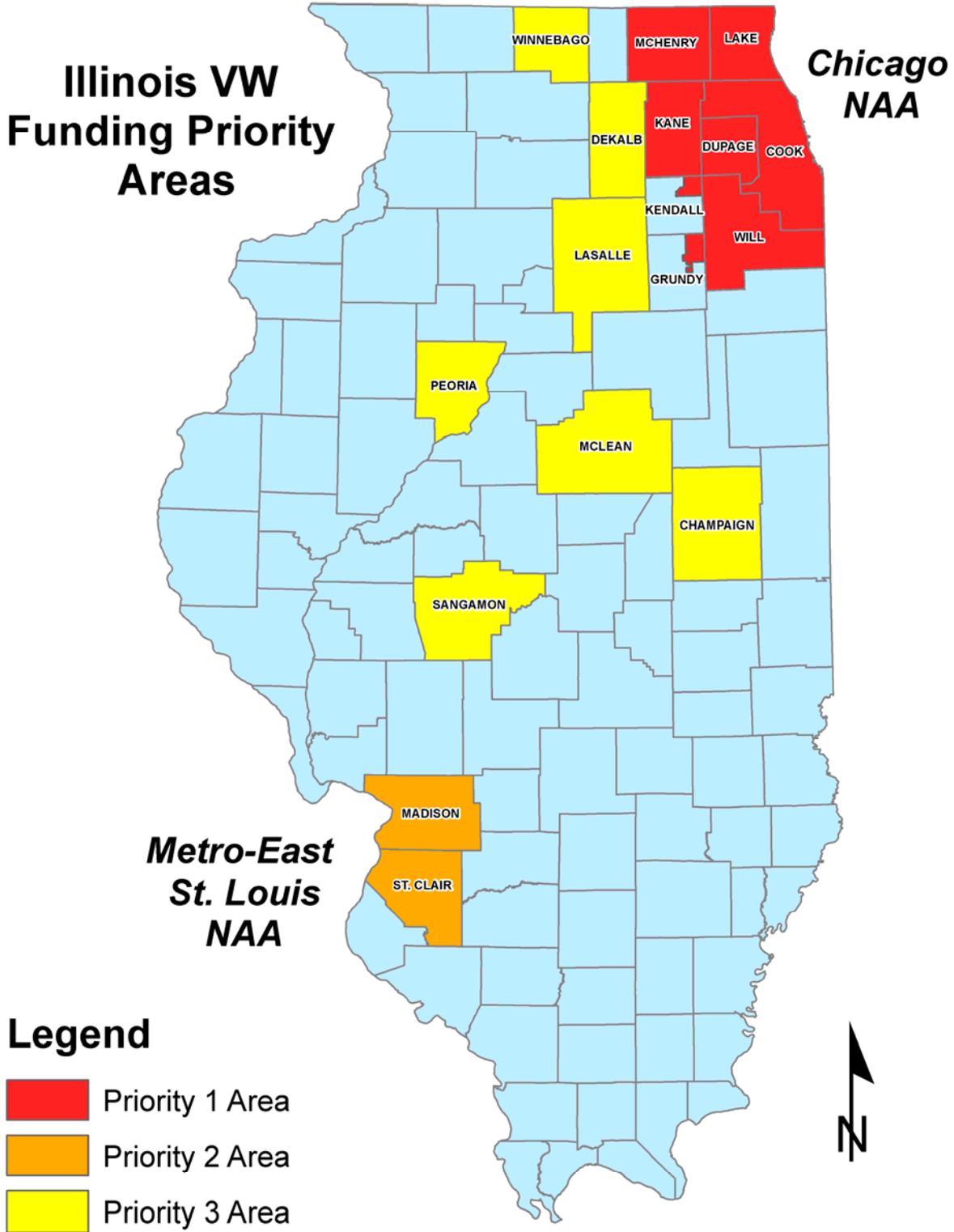
⁵ Note, this now only includes Madison and St. Clair counties.

Figure 6 - Volkswagen Vehicle Registrations by Zip Code versus Environmental Justice Areas – Metro-East St. Louis Ozone Nonattainment Area



The remaining affected Volkswagen vehicles registered in Illinois were spread throughout the State in the ozone attainment area. The vast majority of ozone attainment counties each had less than 1 percent of affected Volkswagen vehicles. The Illinois ozone attainment counties with 1 percent or greater affected Volkswagen vehicles registered were Champaign, DeKalb, LaSalle, McLean, Peoria, Sangamon, and Winnebago. Combined, these attainment counties had 10.1 percent of affected Volkswagen vehicles. Therefore, Illinois has established these counties as Priority Area 3 for funding. Figure 7 contains a map of Illinois' Volkswagen funding priority areas.

Figure 7 – Illinois Volkswagen Funding Priority Areas Map



F. Expected Ranges of Emissions Benefits

The Agency developed estimates of the expected ranges of emissions benefits to be realized by implementation of EMAs based on the proposed maximum percentage allocations of funds for the categories of projects identified in this draft BMP, a representative sample of projects from each category and utilizing the DEQ, AFLEET, and Agency calculations. The Agency developed cost estimates based on independent research and costs of similar projects funded by the Agency in the past under its Clean Diesel Grant Program. Actual emission reductions realized by EMAs will be dependent on the types of projects ultimately selected for funding and ultimate funding percent allocations, which may also be revised as goals or market demands change.

1. Light Duty ZEV Supply Equipment Projects. Increasing investment in and use of all-electric vehicles will result in emission reductions. Illinois recognizes efforts other states have made to quantify NO_x emission reduction benefits from light duty ZEV supply equipment projects. However, given the assumptions necessary and complexity of linking NO_x emission reductions to light duty ZEV supply equipment usage, this BMP will not quantify such emission reductions.

2. Public Transit Projects. The Agency analyzed a sample of public transit projects that included replacing or repowering older passenger locomotives with new, cleaner diesel passenger locomotives or engines, and replacing older transit buses with new, cleaner diesel, compressed natural gas, electric, and hydrogen versions. The estimated total annual emission reductions from this category of projects is approximately 355 tons of NO_x per year.

3. All-Electric School Bus Projects. The Agency analyzed a sample of all-electric school bus projects that included replacing older diesel school buses with new all-electric school

buses. The estimated total annual emission reductions from this category of projects is approximately 3.5 tons of NO_x per year.

4. Non-Electric School Bus Projects. The Agency analyzed a sample of non-electric school bus projects that included replacing older diesel school buses with new, cleaner diesel and propane versions. The estimated total annual emission reductions from this category of projects is approximately 13 tons of NO_x per year.

5. Class 4-8 Local Freight Truck Projects. The Agency analyzed a sample of local freight truck projects that included replacing Class 4-8 local freight trucks with new, cleaner diesel, natural gas, and all-electric versions. The estimated total annual emission reductions from this category of projects is approximately 172 tons of NO_x per year.

6. Off-Road Projects. The Agency analyzed a sample of off-road projects that included repowering or replacing switcher locomotives, tug boats and ferries with new, cleaner diesel and all-electric versions. The estimated total annual emission reductions from this category of projects is approximately 585.5 tons of NO_x per year.

The Agency estimates that utilizing the Volkswagen Trust allocation provided to Illinois as indicated in this BMP may result in annual emission reductions of approximately 1,129 tons of NO_x per year. Actual emission reductions will be dependent on the types of projects ultimately selected for funding and ultimate funding percent allocations.

G. Public Input

The Trust Agreement requires the BMP to include an explanation of the process by which Illinois will seek and consider public input on its BMP. Over the last two years, the Agency has communicated and met with numerous interested stakeholders regarding administration of Volkswagen Trust funds in Illinois. This includes environmental, consumer and other advocacy

groups, schools, school districts and universities, transit agencies, regional planning organizations, municipalities, counties, other State agencies, trade groups, utilities, vehicle suppliers, consulting groups, manufacturers, other private businesses, and individuals.

To provide for informed comment on Illinois' use of its Settlement allocation, the Illinois EPA prepared a draft BMP which laid out draft goals, allocations, and benefits for public review and comment. To reach and inform a broad range of the public and potential applicants, and to make public participation easy and convenient, the Agency established a Volkswagen Settlement webpage (<http://www.epa.illinois.gov/topics/air-quality/vw-settlement/index>), set up a survey and an e-mail mailbox to solicit input, and promoted these tools through social media, press releases, direct e-mail notification, and speaking events. The Agency solicited public input between February 28, 2018 and May 31, 2018 on its draft BMP (a total of 93 days), presented an overview of the draft BMP and answered questions at nine speaking events to a variety of stakeholders, and held three listening sessions across the State to receive public input. The Agency received over 1600 written public comments and almost 225 survey responses. Public input came from a wide variety of sources including school districts, public transit agencies, environmental, consumer and other advocacy groups, universities, transit agencies, regional planning organizations, municipalities, counties, other State agencies, trade groups, utilities, vehicle suppliers, consulting groups, manufacturers, other private businesses, and a large number of individual Illinoisans.

Survey responses gave the Agency some measure of the potential projects that may be of interest to potential project applicants and feedback on the goals laid out in the draft BMP. In the main, the survey responses agreed with the goals established in the draft BMP, that the Agency should focus on maximizing emission reductions and focusing money on areas

disproportionately impacted by air pollution. Based on this input, the goals in the final BMP have not been revised. In the main, the survey results also indicated a greater interest by respondents in on-road projects. From these results, along with an emphasis in written comments in a preference for on-road projects, the final BMP has a greater emphasis on on-road projects. Written comments also provided input on how Settlement money should be allocated, how to prioritize use of the funds, information about expected emission reductions, technical information on specific engine types, suggestions for clarifications, and numerous other specific comments. A complete docket of written comments received may be found on the Agency's Volkswagen Settlement webpage.

Based on the public input received, the Agency has revised its draft BMP. The Agency is making this final BMP available to the public and has submitted this final BMP to the Volkswagen Trustee. This final BMP is available on the Agency's Volkswagen Settlement webpage. Any future revisions to the final BMP will be posted to the Agency's Volkswagen Settlement webpage and submitted to the Trustee.

The Agency will continue to accept public input through the duration of its administration of Volkswagen settlement funds. Public input should be provided in writing and submitted to the Agency electronically at epa.vwsettlement@illinois.gov. Further, the Agency will continue to communicate and meet with any and all interested stakeholders throughout its administration of Volkswagen settlement funds.

The Agency will provide additional information and updates regarding the BMP and its administration of Volkswagen Trust funds on its Volkswagen Settlement webpage as more information and updates become available. The Agency will maintain a listserv of interested stakeholders and will provide notification to this group as updates become available. Any

questions about the BMP, inclusion on the listserv, or submission of public input should be directed to Illinois EPA's Office of Community Relations or by e-mail to epa.vwsettlement@illinois.gov.

V. CONCLUSION

This final BMP has been developed in accordance with the terms of the Trust Agreement. This BMP is not a solicitation for projects. As such, it does not include detail on the application or project selection process. Such information will be available on the Agency's Volkswagen Settlement webpage. As part of periodic evaluations, Illinois may revise the final BMP as necessary to reflect major changes in market demand, the State's goals, or available funds in future years.