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Dept of Ecology

May 18, 2017

Stu Clark
Air Quality Program Manager
PO Box 47600
Olympia, WA 98504-7600



Association
of Washington
Business

Washington State's Chamber of Commerce

Re: The case for the highest environmentally-beneficial use of Volkswagen settlement funds

Dear Mr. Clark,

Thank you for the opportunity to discuss the Volkswagen settlement funds. Investing in AWB members and private industry provide the highest environmentally-beneficial use of funds and can leverage additional investments more effectively. AWB encourages Department of Ecology officials to submit a plan that assures the greatest reductions in Nitrogen Oxides (NOx) emissions at the lowest cost.

Washington state is eligible to receive \$112.7 million from the federal Volkswagen settlement based on the 22,000 2.0 Liter Diesel Vehicles sold in Washington State that did not meet EPA guidelines for NOx emission control.

Beneficiaries are strictly bound to expenditures identified as eligible mitigation actions in Appendix D-2 of the Volkswagen "Clean Diesel" Marketing, Sales Practices, and Products Liability Litigation Partial Consent Decree. In the partial consent decree, the settlement delineates match criteria for eligible funding based on vehicle type, ownership, and clean conversion (see Table 1).

Section 5.2 of the Partial Consent Decree requires beneficiaries to submit certain information with its settlement funding request, including (but not limited to):

- A detailed description of the proposed Eligible Mitigation Action, including its community and air quality benefits;
- An estimate of the NOx reductions anticipated as a result of the proposed Eligible Mitigation Action; and
- A description of any cost share requirement to be placed upon the owner of each NOx source proposed to be mitigated.

While the Partial Consent Decree allows the beneficiary to fund the entire cost of public projects, the beneficiary can leverage private match funds to complete eligible projects. For this reason, investment in private-sector projects will reduce NOx emissions at a greater rate than public projects (see Figure 1¹).

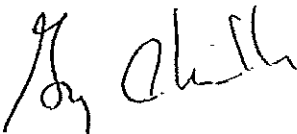
¹ Raw data available upon request.

The business community requests Department of Ecology officials submit a proposal that maximizes the beneficiary's ability to reduce NOx emissions at lower costs by allocating more funds to private programs.

Investing to leverage private matching funds would increase the overall environmental benefit of the settlement funding to Washingtonians, and would allow Ecology to fully mitigate the total, lifetime excess NOx emissions of the 22,000 Volkswagen diesel engines sold to Washingtonians consistent with requirements of the partial consent decree².

We appreciate your full attention to this important opportunity, and remain available to collaborate on solutions mutually-beneficial to consumers, businesses and Washington State's environmental public health.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary Chandler". The signature is written in a cursive, somewhat stylized font.

Gary Chandler
Vice President Government Affairs

² Purpose and Recitals set forth: "Whereas, the funding for the Eligible Mitigation Actions provided for herein is intended to fully mitigate the total, lifetime excess NOx emissions from the 2.0 Liter Subject Vehicles where the 2.0 Liter Subject Vehicles were, are or will be operated..." Page 1, Appendix D of Volkswagen Partial Consent Decree, MDL No. 2672 CRB (JSC), enclosed.

Table 1: Maximum eligible settlement funding levels for eligible projects³

Vehicle Type	Conversion	Private Eligible Funding	Public Eligible Funding
1. Class 8 Large Trucks, Port Drayage, Local Freight	Alternative Fuel Repower	< 40%	< 100%
	Alternative Fuel Replacement	< 25%	< 100%
	Electric Repower	< 75%	< 100%
	Electric Replacement	< 75%	< 100%
2. Class 4-8 School Bus, Shuttle Bus, Transit Bus	Alternative Fuel Repower	< 40%	< 100%
	Alternative Fuel Replacement	< 25%	< 100%
	Electric Repower	< 75%	< 100%
	Electric Replacement	< 75%	< 100%
3. Freight Switchers	Alternative Fuel Repower	< 40%	< 100%
	Alternative Fuel Replacement	< 25%	< 100%
	Electric Repower	< 75%	< 100%
	Electric Replacement	< 75%	< 100%
4. Ferries and Tugs	Alternative Fuel Repower	< 40%	< 100%
	Electric Repower	< 75%	< 100%
5. Ocean Going Vessels Shorepower	(equipment)	< 25%	< 100%
6. Class 4-7 Medium Trucks	Alternative Fuel Repower	< 40%	< 100%
	Alternative Fuel Replacement	< 25%	< 100%
	Electric Repower	< 75%	< 100%
	Electric Replacement	< 75%	< 100%
7. Air Ground Support Equipment	Electric Repower	< 75%	< 100%
	Electric Replacement	< 75%	< 100%
8. Forklifts/Port Cargo Equipment	Electric Repower	< 75%	< 100%
	Electric Replacement	< 75%	< 100%
9. Light Duty Electric Vehicle Supply	(available to public)	< 80%	< 100%
	(at a workplace)	< 60%	< 60%
	(at a multi-unit dwelling)	< 60%	< 60%
	(H+ fuel cell >250 kg/day available to general public)	< 33%	< 33%
	(H+ fuel cell >100 kg/day available to general public)	< 25%	< 25%
10. Diesel Emission Reduction Act Option (42 U.S.C. § 16133)	-	-	-

³ Described fully in "Eligible Mitigation Actions and Mitigation Action Expenditures," Appendix D-2 of Volkswagen Partial Consent Decree, MDL No. 2672 CRB (JSC), enclosed.

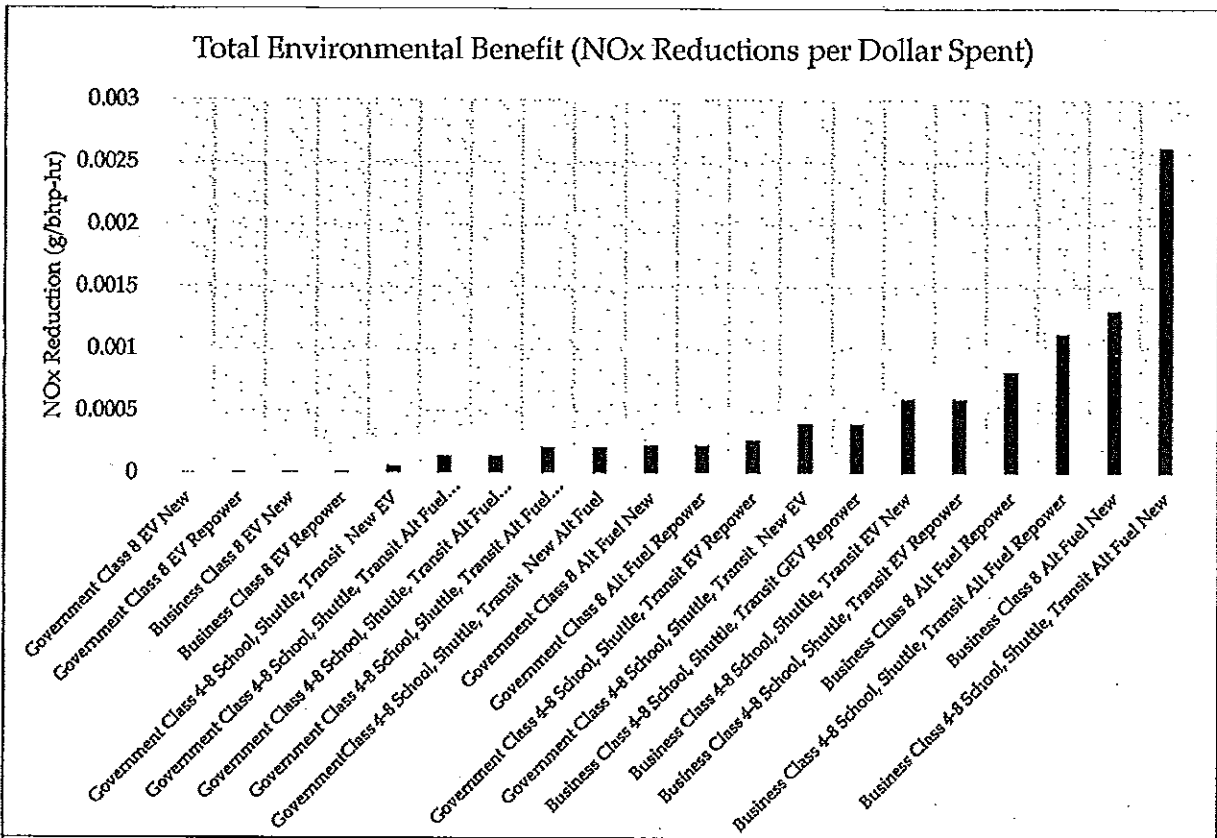


Figure 1: Emissions reduction per dollar spent is greatest in the case of private investment because the settlement stipulates private matching.