

DETROIT DIESEL CORPORATION
SEMI-ANNUAL PROGRESS REPORT No. 6 (January 31, 2020)
UNDER 2016 CONSENT DECREE

On December 19, 2016, the United States District Court for the District of Columbia entered a Consent Decree between the United States of America and Detroit Diesel Corporation (“DDC”). Section VII of the Consent Decree requires DDC to submit a semi-annual progress report by July 31 and January 31 of each year for the preceding six months which shall provide: 1) a discussion of DDC’s progress in satisfying Section V of the Decree, including, at a minimum, a narrative description of any activities undertaken; 2) the status of any compliance measures, including the progress of and date of completion for any projects set forth in the mitigation plans; and 3) a summary of costs incurred since the previous report. DDC submitted its first Semi-Annual Progress Report on July 31, 2017; its second Semi-Annual Progress Report on January 31, 2018; its third Semi-Annual Progress Report on July 31, 2018; its fourth Semi-Annual Progress Report on January 31, 2019; and its fifth Semi-Annual Progress Report on July 31, 2019. This serves as DDC’s sixth Semi-Annual Progress Report pursuant to Section VII of the Decree for the time period August 1, 2019 – January 31, 2020 (“reporting period”).

I. School Bus Mitigation Plan

A. DDC’s Satisfaction of Section V Requirements and Related Plan Activities

Under Section V and Appendix A of the Decree, DDC is required to implement a school bus replacement project under which school buses owned and operated by qualifying school districts with MY 2006 and older diesel engines will be replaced with new clean diesel, LNG or CNG powered school buses. Pursuant to paragraph 12 of the Decree, DDC submitted its School Bus Mitigation Plan on April 18, 2017. In response to this Plan submission, EPA e-mailed DDC’s counsel on May 12, 2017 and requested additional information relating to DDC’s plan submission. On May 31, 2017, DDC submitted its Supplemental School Bus Mitigation Plan addressing the questions raised and information requested by EPA in its May 12 e-mail. Thereafter, EPA notified DDC on June 29, 2017 that DDC’s School Bus Mitigation Plan, as supplemented, had been approved by EPA.

During the reporting period, DDC has undertaken various activities to close out its school bus replacement program (“SBRP”), as follows:

- As described in the July 31, 2019 Semi-Annual Progress Report, DDC had received confirmation that all 287 replacement school buses had been delivered to the appropriate end users and that the replaced school buses had been destroyed.
- On June 21, 2019, DDC made its final payment to its corporate sibling and SBRP implementation partner, Thomas Built Buses (“TBB”), to reimburse TBB

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for payments made to TBB dealers for the financial incentives that the dealers provided to School Districts. In total, DDC paid \$10,880,634 in financial incentives toward school bus replacements under the SBRP. This amount exceeds the \$10,875,000 that DDC was required by paragraph 11.a. of the Consent Decree to expend on its SBRP.

- On August 20, 2019, DDC submitted its completion report for the SBRP as required under paragraph 31 and Appendix A of the Consent Decree.

B. Status of Compliance Measures

DDC submitted its fifth Semi-Annual Progress Report on July 31, 2019, including as Exhibit A, information relating to school district contacts as required by Appendix A paragraph (6) of the Decree. In addition, DDC submitted its completion report for the SBRP on August 20, 2019 as required under paragraph 31 and Appendix A of the Consent Decree.

C. Summary of Costs

DDC paid \$10,880,634 in financial incentives toward school bus replacements under the SBRP. This amount exceeds the \$10,875,000 that DDC was required by paragraph 11.a. of the Consent Decree to expend on its SBRP.

II. Locomotive Mitigation Plan

A. DDC's Satisfaction of Section V Requirements and Related Plan Activities

Under Section V and Appendix B of the Decree, DDC is required to implement a Locomotive Mitigation Plan under which DDC will provide financial incentives towards the replacement (repowering) of at least two Tier 2 or lower switching or short haul locomotive engines with engines certified to the EPA Tier 3 or more stringent locomotive emission standards. Pursuant to paragraph 13 of the Decree, DDC submitted its Locomotive Mitigation Plan on April 18, 2017. In response to this Plan submission, EPA e-mailed DDC's counsel on May 12, 2017 and requested additional information relating to DDC's plan submission. On May 31, 2017, DDC submitted its Supplemental Locomotive Mitigation Plan addressing the questions raised and information requested by EPA in its May 12 e-mail. Thereafter, EPA notified DDC on June 29, 2017 that DDC's Locomotive Mitigation Plan, as supplemented, had been approved by EPA.

During the reporting period, DDC has undertaken various activities to support its locomotive engine upgrade project, as follows:

- The Mojave Northern Railroad Company replacement locomotive was completed and shipped from Knoxville Locomotive Works ("KLW") in early

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November 2018 and received at the project site in Victorville, California, during the third week of December 2018. The locomotive is commissioned and is fully operational as of March 2019. Engine removal and destruction is complete and has been documented and verified by DDC and the local air district (Mojave Desert Air Quality Management District). Funding contribution paid by DDC for the Mojave Northern Railroad Company locomotive engine upgrade occurred on May 6, 2019.

- The Metropolitan Stevedore Company replacement locomotive was completed and shipped from KLW in early February 2019 and was received at the project site in Stockton, California, during the first week of March 2019. The locomotive is commissioned and fully operational as of March 22, 2019. Engine removal and destruction is complete and has been documented and verified by DDC and the local air district (San Joaquin Unified Air Pollution Control District). Funding contribution paid by DDC for the Metropolitan Stevedore Company locomotive engine upgrade occurred on May 10, 2019.
- The Stockton Terminal & Eastern Railroad replacement locomotive was completed and shipped from KLW in mid-March 2019 and was received at the project site in Stockton, California, during the first week of April 2019. The locomotive is commissioned and is fully operational as of April 19, 2019. A “Stipulation and Agreement Regarding Non-Material Changes to the Consent Decree” (“Consent Decree Amendment”), was filed with the court on December 12, 2019, and became effective December 16, 2019, allowing the replaced locomotive to be donated to the Reading Railroad Heritage Museum. A hole has been drilled in the airbox, which was witnessed and verified by a representative from the San Joaquin Valley Air Pollution Control District, and labels have been affixed to the locomotive and engine in accordance with the requirements of the Consent Decree Amendment. Funding contribution paid by DDC for the Stockton Terminal & Eastern Railroad locomotive engine upgrade occurred on January 23, 2020.

B. Status of Compliance Measures

DDC submitted its fifth Semi-Annual Progress Report on July 31, 2019, as required by paragraph 30 of the Decree. DDC is in the process of preparing its completion report for the locomotive engine upgrade project.

C. Summary of Costs

As of January 23, 2020, DDC has paid \$3,625,000 in contribution payments for the three locomotive engine upgrades, meeting its financial commitment set forth in paragraph 11.b. of the Decree.