

The Houston-Galveston Area Emission Reduction Credit Organization Annual Report for January 1, 2009 – December 31, 2009

This report contains a summary of the activities of the Houston-Galveston Area Emission Reduction Credit Organization (AERCO) through December 2009, its fourth year of organizational activity under its renewed 12-year charter, which expires on October 18, 2018.

The 73rd Texas Legislature passed S.B. 513 in 1993, authorizing the creation of AERCOS in an effort to promote the coexistence of air quality improvement and economic development statewide. The Houston-Galveston AERCO, a 501(c)(3) corporation, was created on March 23, 1994 and is administered in accordance with its bylaws and the requirements under applicable Texas laws, including S.B. 513. As required by AERCO’s charter, this report will be submitted to the Texas Commission on Environmental Quality (TCEQ).

Activities for the period include the nominations and appointments/reappointments of members to the Board of Directors (the “Board”) for three-year terms, financial transactions, other actions relating to the Clean School Bus Program, and program and board highlights.

AERCO Board and Appointments

AERCO’s Board of Directors is comprised of 18 members representing the general public (4), environmental concerns (2), large industry (6), small regulated businesses (3), and economic development interests (3). Board membership reflects a range of interests in all eight counties of the region’s ozone nonattainment area. Nine members are appointed from Harris County, two members each are appointed from Galveston and Brazoria counties, and one member each is appointed from Chambers, Fort Bend, Liberty, Montgomery, and Waller counties.

Board appointments are listed as of December 31, 2009. Ed Fiesinger continued as AERCO Board Chair.

Board Member	Representing	Membership Category	Employer
Fiesinger, Ed	Brazoria	Large Industry	Zephyr Environmental Corp
Bartosh, Patrick	Harris	Small Business	Sage Environmental Consulting
Naquin, Mary Jane	Harris	Environmental	Informed Futures
Kush, John	Harris	Large Industry	NRG Energy, Inc.
Cernak, Steve	Galveston	General Public	Port of Galveston
Richards, Malcom	Harris	Economic Development	Titan Engineering, Inc.
Lewis, Edward	Harris	Large Industry	Fulbright & Jaworski, L.L.P
Buell, Brandon	Chambers	Large Industry	Bayer Material Science, LLC
Rash, Jeanette	Harris	Small Business	Harris Co. Auto Recyclers Association

Chen, Ke	Ft. Bend	Econ. Development	KCE Consulting
Rhoads, Orval	Waller	Econ. Development	Waller Co. Engineer's Office
Bosma, Mark	Montgomery	General Public	Montgomery Co.
Araiza, Adrian	Galveston	Large Industry	Valero Texas City Refinery
Woodard, Julie	Brazoria	Large Industry	Dow Chemical
Hebert, John J.	Liberty	Small Business	Chevron Products
Gonzales-Cron, Catarina	Harris	General Public	Harris County Judge's Office
VACANT	Harris	General Public	
VACANT	Harris	Environmental	

AERCO Financial Transactions

The H-GAC Finance Department provided the AERCO financial summaries through H-GAC's year end, December 31, 2009.

Account Balances for January 1 – December 31, 2009

AERCO 0430 GENERAL PL ACCOUNT BALANCE SHEET for JANUARY 1 – DECEMBER 31, 2009			
Date	Source	Amount	Cumulative Balance
2008	AERCO 0430: General PL Account	\$2,954,352.33	
01/01/2009	Balance Forward	\$2,954,352.33	
01/01/09 to 12/31/09	ADD: SEP Fund Contribution	\$4,586,313.00	
01/01/09 to 12/31/09	ADD: Private Corp. Contribution	\$0.00	
01/01/09 to 12/31/09	ADD: Interest earned from bank account.	\$20,435.07	
01/01/09 to 12/31/09	ADD: Other Income	\$0.00	
	<i>Less: Reimbursement to HGAC for FY09 payments to Danbury ISD, Pasadena ISD, Cy-Fair ISD, Klein ISD, Our Lady Queen of Peace, and International Trucks of Houston</i>	(1,161,910.65)	

AERCO 0430 GENERAL PL ACCOUNT BALANCE SHEET for JANUARY 1 – DECEMBER 31, 2009			
Date	Source	Amount	Cumulative Balance
12/31/2009	<i>Ending Balance of all accounts</i>		\$6,399,189.75
	Remaining amount set aside for TXDOT fees (has not been spent)	(\$20,053.00)	
2010	<i>Balance Forward – Jan 2010 (minus set aside money for TXDOT fees & Clean Vehicles)</i>		\$6,379,136.75

AERCO Board Action Highlights

During this reporting period, the Houston-Galveston AERCO Board held meetings in February, May, August, and November. Highlights from these meetings include:

On February 4, 2009, the Board took action on the following items:

- Approved the Board minutes for November 12, 2008.
- Approved the 4th Quarter Financial Report
- Affirmed Supplemental Environmental Project Funds in the amount of \$61,714.00 for Danbury ISD (1 Bus Replacement)

All other agenda items were included as discussion items only. These included review of the quarterly TCEQ report, Clean Vehicles updates, Clean School Bus updates, and TCEQ updates.

On May 6, 2009, the Board took action on the following items:

- Approved the Board minutes for February 4, 2009.
- Acceptance of 1st Quarter 2009 Financial Report
- Acceptance of 2008 AERCO Annual Report
- Acceptance of Supplemental Environmental Project Funds for:
 - Cy-Fair ISD (3 Bus Replacements, \$254,913.00)
 - Our Lady Queen of Peace Catholic School (1 Bus Replacement at \$92,495.00)

All other agenda items were included as discussion items only. These included review of the quarterly TCEQ report, Clean Vehicles updates, Clean School Bus updates, and TCEQ updates.

On August 5, 2009, the Board took action on the following items:

- Approved the Board minutes for May 6, 2009
- Acceptance of Financial Report
- Acceptance of Supplemental Environmental Project Funds for:
 - Columbia Brazoria I.S.D - \$29,810
 - Damon I.S.D. - \$96,962
 - Spring I.S.D. - \$61,097
 - Klein I.S.D. - \$200,00
 - Acceptance of H-GAC Finance request for independent AERCO bank account

All other agenda items were included as discussion items only. These included review of the quarterly TCEQ report, Clean Vehicles updates, Clean School Bus updates, and TCEQ updates.

On November 4, 2009, the Board took action on the following items:

- Approved the Board minutes for August 5, 2009.
- Acceptance of Financial Report
- Acceptance of Acceptance of AERCO SEP language revision and Agreement Renewal

All other agenda items were included as discussion items only. These included review of the quarterly TCEQ report, Clean Vehicles updates, Clean School Bus updates, and TCEQ updates.

AERCO Emission Trading and Related Activities

Although, H-GAC staff corresponded with ERC inquiries from the general public, for this reporting period, the Houston-Galveston AERCO did not engage in any emission reduction credit (ERC) purchases, sales, trades, or other activity involving the exchange of ERCs.

Community Outreach

- H-GAC updated the AERCO Web page at <http://www.h-gac.com/taq/airquality/aerco/default.aspx> to reflect new board members, and worked with H-GAC's Clean Vehicles program coordinator to distribute funds for area school districts. In addition, outreach in the form of e-mails, flyer distribution and phone calls for the Clean School Bus HGB program and SEP fund projects. H-GAC staff also promoted the AERCO at the Annual Fresh Air Friday Event held on March 27, 2009 and at the H-GAC's Advancing the Choice conference held June 24, 2009.