

H-GAC Clean Fleets Initiative Project Scope of Work
Supplemental Environmental Project Funds Attachment

Funding Source

Supplemental Environmental Project (SEP) funds come from the Houston-Galveston Area Emission Reduction Credit Organization (AERCO), a 501(c3) non-profit entity whose purpose is to promote compliance with the Clean Air Act within the Houston-Galveston-Brazoria ozone non-attainment area. SEP funds consist of fines levied by the TCEQ which AERCO administers on behalf of the TCEQ. They are distributed thru the Clean Fleets Initiative and managed by H-GAC, which acts as AERCO's fiscal agent.

Funding Attributes for SEP Funds:

Funding attributes reflect requirements that any funded vehicle, equipment, or infrastructure facility must meet in order to qualify for a particular funding type (i.e. CMAQ, SEP, etc.). Attributes are defined as follows:

Minimum Usage: The minimum level of usage which must be achieved by current and future vehicles, equipment, and infrastructure in order to be eligible for funding. For example, "Public/NP: 5,000 miles/year" means that any public/non-profit vehicle included in the application must travel a minimum of 5,000 miles/year in the HGB region, and must at least maintain that usage level if replaced or retrofit. For vehicles/equipment undergoing a tiered analysis, the collective average annual usage of the group as a whole must meet this requirement; however, individual vehicles/equipment included in the tiered analysis are not subject to this restriction.

Spent Useful Life Limitations: Restrictions showing what vehicle/equipment age range is acceptable for retrofit, and what vehicle/equipment age range is acceptable for replacement. For example, "Replacement: 20,000-60,000 miles" means that the vehicle included in the application must have accumulated no less than 20,000 miles and no more than 60,000 miles over the course of its life if it is to be considered for replacement.

Emission Calc. Methodology: This specifies which procedures listed in Technical Supplement #1 will be utilized to determine the projected and actual emission reductions achieved as a result of a CFI project. It also specifies whether or not a tiered analysis can be performed for that particular funding type and PFA.

Eligible Areas: This lists any restrictions on where the applicant is located and/or where the vehicles, equipment, or infrastructure are in/will be in operation.

Project Life: Describes the period over which emission reductions will be credited and monitoring will be required.

Required Certifications/Standards: Describes any certifications, verifications, minimum standards, or other external criteria which is required for a given vehicle, equipment, or infrastructure project.

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Eligible Applicants: Specifies any limitations on who may apply for and receive the funding. For example, if “school districts” is listed, only school districts may apply for or receive the funding.

Eligible Vehicles/Equipment: Specifies any additional restrictions on the type of vehicles, equipment, or infrastructure that may be funded beyond those listed for the applicable PFA. These additional restrictions may include vehicle weights, engine horsepower, or specific applications/sectors.

Eligible Fuels: Describes any restrictions on the types of fuels that may be considered for the project. For example, “Qualifying alternative fuel” means that only those projects involving the deployment of an alternative fuel in accordance with the CFI definition (See Section 1.1) may be considered for funding.

Match Requirements & Restrictions: Any CFI project may receive a *total grant package* that covers up to 75-100% of the eligible project costs (depending on entity type; see Section 2.0 for more information), assuming that the project meets the applicable cost-effectiveness criteria. However, *individual funding type(s)* contained within the total grant package may have matching requirements and restrictions describing how the funds should or should not be utilized in combination with other funding types.

Destruction: Specifies what vehicle, equipment, or infrastructure component(s) must be destroyed as part of a replacement project.

Diesel-Based Cost-Effectiveness: Per the definitions listed in Section 1.1 of the CFI Guidelines, this specifies the target cost-effectiveness factor for diesel-based vehicle and equipment project, broken out by the technological level of the project.

Gasoline-Based Cost-Effectiveness: Per the definitions listed in Section 1.1 of the CFI Guidelines, this specifies the target cost-effectiveness factor for gasoline-based vehicle and equipment project, broken out by the technological level of the project.

Table 1a for Clean Vehicles PFAs

Attribute	Light-Duty	Heavy-Duty
Min. Usage of Eligible Vehicles	5,000 mi/yr	5,000 mi/yr
Spent Useful Life Limitations	<u>Retrofit/Conversion:</u> 20,000 – 60,000 miles <u>Replacement:</u> 60,001 – 100,000 miles Or documentation reflecting extended fleet turnover cycles	<u>Retrofit/Conversion:</u> 50,000 – 300,000 miles <u>Replacement:</u> 300,001 – 600,000 miles Or documentation reflecting extended fleet turnover cycles
Emission Calc. Method	Full Analysis; Tiered Analysis	Full Analysis; Tiered Analysis
Eligible Areas	May be designated by county	May be designated by county
Project Life	3 years	5 years
Required Certifications/ Standards	<u>Retrofits:</u> EPA/CARB-certified <u>EPA Replacement:</u> Tier 2 std., Bin 3 min. <u>CARB Replacement:</u> LEV II std, ULEV II min.	<u>Retrofits:</u> EPA/CARB-certified <u>EPA/CARB Replacements:</u> 0.2 g/bhp-hr NOx or better (0.35 g/bhp-hr NOx or better for Class 6 & 7 vehicles thru 10/31/10)

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Attribute	Light-Duty	Heavy-Duty
Eligible Applicants	Only governmental entities	Only governmental entities
Eligible Vehicles	Any qualifying vehicle type	Any qualifying vehicle type
Eligible Fuels	Any qualifying fuel	Any qualifying fuel
Match Requirements & Restrictions	10% Match Required for SEP funding beyond \$500,000	10% Match Required for SEP funding beyond \$500,000
Destruction Requirements	Engine only	Engine only
Diesel-Based Cost-Effectiveness	None	None
Gasoline-Based Cost-Effectiveness	None	None

Table 1b for Clean Machines PFAs

Attributes	Low-Power	Medium-Power	High-Power
Min. Usage of Eligible Equipment	250 hours/year	500 hours/year	Equipment & Marine: 500 hours/year Locomotives: 25,000 miles/year
Spent Useful Life Limitations	Retrofit: 500-1,500 hours Replacement: 1,501 – 2,500 hours Or documentation reflecting extended fleet turnover cycles	Retrofit: 500 -2,000 hours Replacement: 2,001 – 5,000 hours Or documentation reflecting extended fleet turnover cycles	Equipment Retrofit: 500 -2,000 hours Equipment Replacement: 2,001 – 5,000 hours Marine Retrofit: 1,000 – 5,000 hours Marine Replacement: 5,001 – 10,000 hours Locomotives Retrofit: 100,000 – 300,000 miles Locomotives Replacement: 300,001 – 500,000 miles Or documentation reflecting extended fleet turnover cycles
Emission Calc. Method	Full Analysis; Tiered Analysis	Full Analysis; Tiered Analysis	Full Analysis; Tiered Analysis
Eligible Areas	May be designated by county	May be designated by county	May be designated by county
Project Life	3 years	5 years	10 years
Required Certifications/ Standards	Retrofits: EPA or CARB certified Replacements: EPA Tier 3 minimum; Tier 4 if available	Retrofits: EPA or CARB certified Replacements: EPA Tier 3 minimum; Tier 4 if available	Equipment, Locomotive, & Marine Retrofits: EPA or CARB certified Equipment: Replacements: EPA Tier 3 minimum; Tier 4 if available Locomotives Replacements: EPA Tier 2 minimum; Tier 3 if available Marine Replacements: EPA Tier 3 compliant
Eligible Applicants	Only governmental entities	Only governmental entities	Only governmental entities
Eligible Equipment	Any qualifying vehicle type	Any qualifying vehicle type	Any qualifying vehicle type
Eligible Fuels	Any qualifying fuel	Any qualifying fuel	Any qualifying fuel

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Matching Requirements & Restrictions	10% Match Required for SEP funding beyond \$500,000	10% Match Required for SEP funding beyond \$500,000	10% Match Required for SEP funding beyond \$500,000
Destruction Requirements	Engine Only	Engine Only	Engine Only
Diesel-Based Cost-Effectiveness	None	None	None
Gasoline-Based Cost-Effectiveness	None	None	None

Table 1c for Clean Technologies PFAs

Clean Technologies projects are not eligible to receive SEP funds.

Table 2 for Eligible Project Costs

Project Cost	Eligibility
The cost of a new vehicle/piece of equipment	Eligible
The cost of a new engine	Eligible
The cost of a new retrofit	Eligible
The cost of an alternative fuel conversion kit or other equipment	Eligible
The cost of purchasing an ancillary retrofit system (i.e. filter cleaners)	Eligible
The cost of purchasing alternative fuel system components (i.e. pumps, tanks, etc.)	Eligible
Registration Fee (up to \$500) for one Alt. Fuel/Advanced Tech. Training Course ¹	Eligible
The cost of verifying or certifying new technologies (associated with Demonstration & Pilot Project PFA)	Ineligible
The cost of fuel	Ineligible
The costs associated with recurring maintenance items/service (i.e. filters, tank cleaning, etc.)	Ineligible
The cost of performing market research, site assessments, or other studies	Ineligible
The cost of obtaining permits or complying with other ordinances or legal obligations	Ineligible
The cost of overhead and/or administrative costs	Ineligible

¹ Applicants may elect to send 1 representative to one alternative fuel/advanced vehicle technologies management or maintenance course ONLY if the implementation of the project will result in a first-time introduction of that alternative fuel/advanced vehicle technology to the organization within this region.