

MINUTES

November 12, 2008

H-GAC, Conference Room B
3555 Timmons Lane, 2nd Floor
Houston, TX 77027

BOARD MEMBERS PRESENT

Adrian Araiza – Phone (Galveston County), Patrick Bartosh (Harris County), Catarina Cron (Harris County), Ed Fiesinger (Brazoria County), John Hebert – Phone (Liberty County), Edward Lewis – Phone (Harris County), Orval Rhoads (Waller County), Betin Santos (Harris County), and Julie Woodard (Brazoria County)

PROXY VOTES

Proxies given to the Chair (Ed Fiesinger) prior to the meeting were Mark Bosma (Montgomery County), Mary Jane Naquin (Harris County), Alton Porter (Harris County), and Jeanette Rash (Harris County)

NON-BOARD MEMBERS AND H-GAC STAFF PRESENT

Connie Chao (H-GAC), Graciela Lubertino (H-GAC), Christine Smith (H-GAC), Crystal Spencer (H-GAC), Jay Tonne – Phone (TCEQ), and Shelley Whitworth (H-GAC)

CALL TO ORDER AND INTRODUCTIONS

Mr. Ed Fiesinger officially began the AERCO board meeting naming attendees and proxy votes. Mr. Fiesinger welcomed everyone and introduced the AERCO Board Member attendees.

ADMINISTRATIVE BUSINESS

APPROVAL OF AUGUST 06, 2008 MINUTES

AERCO board meeting minutes for August 06, 2008 was approved.

DISCUSSION ITEM

CLEAN SCHOOL BUS UPDATE – Christine Smith, H-GAC

(Please refer to handout.) Ms. Christine Smith began her discussion with informing the committee that AERCO had clean vehicle and clean school bus items on the H-GAC Board agenda. The H-GAC Board approved 14 contracts including 2 clean school bus contracts totaling 64 engines, 1.7 million dollars in CMAQ funds committed, \$130,000 SEP funds, and 27 tons per year NOx reduced. The clean school bus projects indicated the majority was for Galena Park. Projects are slowed down due to the economy, however; Santa Fe ISD is interested in applying to the program; Danbury ISD recently submitted an application to the program; and Angleton ISD application is in process.

CLEAN VEHICLES UPDATE – Christine Smith, H-GAC

Ms. Christine Smith began her discussion with informing the committee that Humble ISD enlisted. AERCO submitted a contract to H-GAC Board for approval involving an infrastructure project for natural gas.

TCEQ REPORT – Jay Tonne, TCEQ

Mr. Jay Tonne began his discussion with announcing the Houston area was upgraded to a severe ozone non-attainment area. TCEQ hosted a stakeholder meeting regarding the Houston SIP on November 03, 2008 the meeting material will be posted on the TCEQ website within a week. TCEQ just completed a cost analysis of HRVOC controls for polymer plants in Harris County and the final report will be posted on the HRVOC stakeholder webpage.

POTENTIAL IMPLICATIONS FOR AN AERCO CARBON CREDIT BASED PROJECT – Blake Hudson, Baker Botts

(Please refer to handout.) Mr. Blake Hudson delivered his discussion on the Potential Implications for an AERCO Carbon Credit Based Project. Mr. Hudson gave an overview, its operation and projection of

credit prices: **1.) Overview** – An “urban forest GHG project” is a planned set of tree planting and maintenance activities to permanently increase carbon storage, taking into account GHG emissions associated with planting and maintenance of project trees. The protocol is applicable to three specific project types. Project Developers may be: 1) municipalities, 2) educational campuses, and 3) utilities. A project developer may also be any person or organization partnering with any of these entities. Project developer must meet standards demonstrating that carbon reductions are in addition to what might otherwise have occurred under normal circumstances or under federal, state or local regulations. This is a “better than business as usual” standard. An entity can assemble several smaller projects into a single project for the purposes of achieving economies of scale and more efficient reporting. Projects may take place at any location in the country. **2.) Operation** – The Center for Urban Forestry Research Tree Carbon Calculator (CTCC) is used to estimate tree carbon, both the carbon stored in a single tree as well as that sequestered annually. Wide-scale calculations can be performed by using various sampling criteria.

Project GHG reductions are calculated based on the following formula:

$$\text{Annual Project GHG Reductions} = \text{Annual Project CO}_2 \text{ Sequestration} - \text{Annual Maintenance Vehicle CO}_2 \text{ Emissions} - \text{Annual Maintenance Equipment CO}_2 \text{ Emissions}$$

Various data must be reported for estimating project GHG reductions

- Data on the species, size, date of measurement, and location of measured trees.
- Specific equations used to calculate carbon storage, or specify if the CTCC model was used.
- Annual amount and type of fuel used by tree planting and care vehicles (or the vehicle miles traveled and average fuel economy).
- Annual amount and type of fuel used in tree maintenance equipment (or the number of hours equipment is used that year).

Developer must report an annual average NTG (number of urban trees planted minus the number removed) and then calculate tree carbon stocks based on specified formulae from the CTCC. For each project type, eligible project trees must be planted within the following boundaries:

- Along streets, in parks, city golf courses, cemeteries, near city buildings, greenbelts, city parking lots, and other public open space, or on private property in municipalities;
- Along streets, near classrooms, dorms, office buildings, near recreational fields and other facilities, in parking lots, arboretums, and other open space on educational campuses; and
- In parks, streets, parking lots, private property, and open spaces by utilities.

3.) Credit Generation/Prices (as of Nov. 3, 2008) – Current carbon credits are just below \$2.00 on the Chicago Climate Exchange, with some non-exchange credits (brokers only) getting up to \$7.00 a credit. European Union carbon allowances were valued at around \$22.78 as of October 29, 2008. The Energy Information Administration (“EIA”) ran estimates of future carbon allowance prices based upon the effects of the Lieberman-Warner Climate Security Act of 2007. Their projection of approximate prices are as follows:

- 2012 - between \$10-\$50
- 2020 - between \$18-\$80
- 2030 - between \$22-\$160

ACTION ITEM
ACCEPTANCE OF 3RD QUARTER FINANCIAL REPORT

Ms. Christine Smith began the action with discussing the TCEQ Quarterly Report and AERCO Account Activity Report. Waller ISD received the EPA grant and AERCO received the final EPA award. AERCO set aside \$125,000.00 SEP funds to match the EPA grant. Waller ISD funds will retrofit 47 school buses consisting of 34 DPF in-crank case filters. Humble ISD processed an invoice. AERCO processed a contract extension for Shelton ISD. Brazoria County has a large pool of funds available for school districts. As of September 30, 2008 AERCO have over 2 million dollars.

The action item was motioned, seconded, and all were in favor to approve the 3rd Quarter Financial Report.

AFFIRMATION OF SUPPLEMENTAL ENVIRONMENTAL PROJECT FUNDS FOR:

Mr. Ed Fiesinger began the action with discussing the AERCO Account Information. The action item was motioned, seconded, and all were in favor to approve the expenditures for Waller ISD and Galena Park ISD.

- i. **WALLER ISD**
Retrofit of 47 engines at \$125,000.00
- ii. **GALENA PARK ISD**
Repower of 6 engines at \$173,719.89

RECOMMENDED CHANGES & APPROVAL OF THE NEW 3RD PARTY SEP AGREEMENT

Ms. Shelley Whitworth began the action with discussing the TCEQ Application to Receive Supplemental Environmental Project (SEP) Funding Form and TCEQ Core Data Form. The action item was motioned, seconded, and all were in favor to approve the Recommended Changes and Approval of the New 3rd Party SEP Agreement with recommended changes.

OTHER BUSINESS
ANNOUNCEMENTS

- AERCO is currently under contract with TCEQ for 5 million dollar TERP program for local governments.
- AERCO is still working with consultants to complete a rough draft of a short list state implementation plan mobile measures; the public comment periods beginning December 04, 2008.
- AERCO will go to TPC to submit mobile measures in terms of voluntary mobile emission reduction programs. The transportation control measures will be committed in the state implementation plan in January. AERCO will be going to H-GAC Board with the entire short list of on-road commitments and off-road mobile commitments in the February time frame. The commitments will be submitted to TCEQ on February 20, 2009.

ITEM FOR DISCUSSION AT NEXT MEETING

- Position available and nomination needed – Represent Chambers County/Large Industry

PUBLIC COMMENT

No public comments available.

NEXT MEETING DATE

The next meeting is scheduled for Wednesday, February 04, 2009 at 2:00 P.M.

ADJOURN

If you have an item you wish to be added to the agenda for a future meeting, please e-mail Connie Chao at connie.chao@h-gac.com.