

H-GAC THIRD-PARTY TERP AGREEMENT

H-GAC is presently awaiting a grant award decision from the Texas Commission on Environmental Quality (TCEQ) regarding a proposal by H-GAC to enter into an agreement with the Texas Commission on Environmental Quality (TCEQ) to administer TERP grants with the Houston-Galveston-Brazoria (HGB) region through a third-party grant agreement.

Through this agreement, H-GAC intends to select and implement projects to reduce on-road mobile and non-road mobile nitrogen oxide (NOx) emission reductions that will result in significant strides for the region towards attaining the National Ambient Air Quality Standard (NAAQS) for ozone by July 15, 2019 or sooner. Project selection will maximize NOx emissions reductions and will meet TERP requirements in terms of TERP funds expended per ton of NOx emission reduced. Projects will be selected via a call for projects during each fiscal year until all funds for that year have been depleted. While any eligible recipient within the region can already apply to TCEQ directly to receive TERP funds, H-GAC intends to use first-hand knowledge of the HGB air quality situation to direct TERP funds to those projects which will have the most direct effect on the region's air quality. This will be accomplished through four project initiatives:

- **Local government grants** to focus on replacing or retrofitting vehicles of all categories (on-road, non-road, and marine) which are owned and operated by local governmental and quasi-governmental agencies within the HGB nonattainment region.

Project Type	Estimated Vehicles	Replacement Cost
Non-Road Diesel Vehicles	89	\$8,393,000
On-Road Diesel Vehicles	281	\$36,700,000
Marine Vessels	2	\$300,000
Total	362	\$45,393,000

- **Local government contractor and vendors** will be targeted to receive grants if they are contractors for or lease space from agencies such as: City of Houston, City of Galveston, Houston Airport System, the Port of Houston Authority, Port of Galveston, or another public entity within the HGB nonattainment region.
- **Ship channel manufacturers** will be targets due to the critical role that the area along the Houston ship channel plays in the emission of ozone precursors and particulate matter.
- A **rebate initiative** which focuses on rebates for the purchase of auxiliary power units (APUs) or other idle reduction devices for local heavy-duty trucks which are

frequent idlers. Since traffic at HGB ports is expected to increase dramatically over the next several years, this initiative will work primarily to reduce the emissions of heavy-duty trucks which frequently idle in and around the Ports of Houston and Galveston; however any heavy-duty vehicle which spends significant time idling will be eligible for this rebate.

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REQUESTED FUNDS

Although over \$45 million in replacement costs have been identified, H-GAC is only requesting TERP grant funds in the amount of \$25 million for project implementation to achieve nitrogen oxide (NOx) emissions reductions from on-road, non-road, and marine sources. The goal of H-GAC is to execute contracts associated with this funding level by March 31, 2009. All TERP grant funds will be spent only on project implementation. At the requested funding levels, H-GAC does not expect to develop a program inclusive of all identified project types listed or affecting all identified vehicles, however efforts will be made to fund as many projects as possible and to expend all of the allotted funds.

GRANT AND GRANT ADMINISTRATION EXPERIENCE

Since the formation of H-GAC in 1966, the agency has been repeatedly involved in all aspects of the grant process in order to address the needs of citizens and businesses within the HGB region. The roles that H-GAC has played a part in range from developing and administering grant programs and contracts to participation in grants originating from a variety of sources.

H-GAC has nearly a decade of experience administering similar engine retrofit, replacement and repower programs. Primarily, this experience comes from the Clean Vehicles and Clean School Bus HGB programs, which are funded by different sources (the Federal Highway Administration, Texas Commission on Environmental Quality and U. S. Environmental Protection Agency). Similar to the TERP program, the primary goal of these programs is reducing NOx emissions, as well as volatile organic compounds and particulate matter emissions. Additionally, both programs use methods similar to the TERP program to achieve their end goals, with similar project administration procedures. The H-GAC Clean Vehicles and Clean School Bus programs have resulted in the award of approximately \$50 million for engine retrofits and replacements and have reduced over 1000 tons per year of nitrogen oxide (NOx) emissions since 1998 within the Houston-Galveston-Brazoria region.