

## **Houston-Galveston Area Emission Reduction Credit Organization (AERCO)**

### **Annual Report for January 1-December 31, 2015**

This report contains a summary of the activities of the Houston-Galveston Area Emission Reduction Credit Organization (AERCO) from January 1 through December 31, 2015, its ninth year of organizational activity under its renewed twelve-year charter that expires on October 18, 2018.

In 1993 the 73<sup>rd</sup> Texas Legislature passed Senate Bill (S.B.) 514, 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) tax-exempt nonprofit 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. 514. As required by AERCO's charter, this report will be submitted to the Texas Commission on Environmental Quality (TCEQ).

Activities for the period included the nominations, appointments and reappointments of members to the Board of Directors (the "Board") for three-year terms, financial transactions, actions relating to the Clean School Bus Program, and program and Board highlights. Staff from the Houston-Galveston Area Council (H-GAC staff) continued to provide administration services to AERCO and the Board under the TCEQ Third-Party Supplemental Environmental Project (SEP) Agreement.

#### **AERCO Board and Appointments**

AERCO's Board is comprised of eighteen (18) voting members from all eight counties in the region's ozone nonattainment area (consisting of Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery and Waller Counties) and one (1) ex officio (nonvoting) member from the Emissions Banking and Trading Program (EBT) of the TCEQ Air Quality Division.

Board membership reflects a range of interests:

- Economic Development Interests (3)
- Environmental Interests (2)
- General Public (3)
- Large Industrial Sources of Emissions (7)
- Small Regulated Businesses (3)
- TCEQ Ex Officio (1)

Nine (9) voting members are appointed from Harris County, two (2) members each are appointed from Galveston and Brazoria counties, and one (1) member each is appointed from Chambers, Fort Bend, Liberty, Montgomery, and Waller Counties.

Listed in the table below are Board members serving as of December 31, 2015:

<b>County Represented</b>	<b>Category Represented</b>	<b>Board Member</b>	<b>Employer</b>
Brazoria	Large Industry	Davis, Jarod (JD)	Dow Chemical Company
Brazoria	Large Industry	Fiesinger, Edward "Ed" G. (PE)	Environmental Engineer/Consultant (retired)
Chambers	Large Industry	Simon, B.J.	Baytown/West Chambers County Economic Development Foundation
Fort Bend	Economic Development	LaCour, Lance (CEcD)	Katy Economic Development Council
Galveston	General Public	VACANT	
Galveston	Large Industry	Passantino, Patrick "Pat"	Valero Energy Corporation – Texas City Refinery
Harris	Economic Development	Richards, Malcolm (JD)	Tetra Tech, Inc.
Harris	Environmental	Naquin, Mary Jane	Informed Futures
Harris	Environmental	VACANT	
Harris	General Public	VACANT	
Harris	Large Industry	Castilleja, Jo Anna	Shell Oil Company
Harris	Large Industry	Kush, John J.	NRG Energy, Inc.
Harris	Large Industry	Lewis, Edward "Eddie" C. (JD)	Norton Rose Fulbright LLP
Harris	Small Business	Rash, Jeanette	SafeClear Management Group
Harris	Small Business	Zamarripa, Fernando	WCF Development
Liberty	Small Business	Hebert, John J.	John J. Hebert Distributing, Inc.
Montgomery	General Public	VACANT	
Waller	Economic Development	Rhoads, Orval (PE, RPLS)	Waller County
TCEQ	Ex Oficio	Patton, Deric C.	TCEQ EBT Program

On February 11 John Kush was elected Vice Chair of the Board. Long-time Chair Ed Fiesinger stepped down from office in July 2015, but continued to serve as a Board member.

Ex officio Board member Brandon Greulich was replaced by Deric C. Patton in August.

At the November 11 Board meeting the following officers were elected:

- Chair: John Kush
- Vice Chair: Eddie Lewis
- Secretary: Jeanette Rash

In addition, members Jo Anna Castilleja, John Hebert, Eddie Lewis and Fernando Zamarripa served on the ad hoc Bylaws Committee from February through November.

### AERCO Financial Transactions

The H-GAC Finance Department provided the following AERCO financial summaries through H-GAC's fiscal year end, December 31, 2015.

<b>AERCO Account Balance Sheet for January 1-December 31, 2015 (Fiscal Year 2015)</b>		
Date	Source	Amount
<i>Federal Bank Account</i>		
<b>01/01/2015</b>	<b>Balance Forward</b>	<b>\$51,684.47</b>
	Add SEP Fund Contribution	\$200,000
	<i>Subtract Bank Fees, Checks and Supplies</i>	(\$811.06)
12/31/2015	Ending Balance	\$250,873.41
<b>01/01/2016</b>	<b>Balance Forward</b>	<b>\$250,873.41</b>
<i>State Bank Account</i>		
<b>01/01/2015</b>	<b>Balance Forward</b>	<b>\$1,132,416.43</b>
	Add Texas SEP Fund Contributions	\$947,804.40
	Add Interest Earned from State Bank Account.	\$449.44
	<i>Subtract <u>State</u> Reimbursement to H-GAC for Payments made to Liberty ISD, Columbia-Brazoria ISD, High Island ISD and admin expenses.</i>	(\$290,115.15)
12/31/2015	Ending Balance	\$1,790,555.12
<b>01/01/2016</b>	<b>Balance Forward</b>	<b>\$1,790,555.12</b>

## Board Action Highlights

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

- On February 11, 2015, the Board took action on the following items:
  - Elected John Kush as Vice Chair
  - Approved the Board Minutes for November 12, 2014
  - Approved the Fourth Quarter 2014 AERCO Financial Report
  - Approved the Fourth Quarter 2014 TCEQ Third-Party Administrator SEP Report
  - Approved the 2014 Annual Report

All other agenda items were discussion items only. These included reviews of the quarterly TCEQ report, Clean Vehicles and Clean School Bus updates, TCEQ EBT program updates, formation of an ad hoc Bylaws Committee to review the current bylaws and, if needed, draft revised bylaws, and a special presentation entitled “Onsite Sewage Facility (OSSF) SEP” by Justin Bower of H-GAC’s Community & Environmental Department.

- On May 13, 2015, the Board took action on the following items:
  - Approved the Board Minutes for February 11, 2015
  - Approved the First Quarter 2015 AERCO Financial Report
  - Approved the First Quarter 2015 TCEQ Third-Party SEP Administrator Report
  - Approved the Designation of SEP Funds for:

▪ Crosby Independent School District	\$81,531.00
▪ Humble ISD	\$239,700.00
▪ Danbury ISD	\$45,000.00

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

- On August 12, 2015, the Board took action on the following items:
  - Approved the Board Minutes for May 13, 2015
  - Approved the Second Quarter 2015 AERCO Financial Report
  - Approved the Second Quarter 2015 TCEQ Third-Party SEP Administrator Report
  - Acceptance of Designation of SEP Funds for:

▪ Friendswood ISD	\$150,000.00
▪ Splendora ISD	\$150,000.00
▪ Texas Serenity Academy (Charter School)	\$100,000.00

All other agenda items were discussion items only. These included reviews of the quarterly TCEQ report, Clean Vehicles and Clean School Bus updates, TCEQ EBT program updates, and review of the ad hoc Bylaws Committee’s draft bylaws revision.

- On November 11, 2015, the Board took action on the following items:
  - Approved the Board Minutes for August 12, 2015
  - Approved the 2016 Meeting Schedule (minimum: quarterly on second Wednesdays)
    - February 10, 2016 (Ash Wednesday)
    - May 11, 2016
    - August 10, 2016
    - November 9, 2016
    - As needed, subject to seventy-two (72) hour member and public notice
  - Approved the Bylaws Revision Submitted by the Bylaws Committee
  - Elected New Officers for 2015-2016
  - Approved the Third Quarter 2015 AERCO Financial Report
  - Approved the Third Quarter 2015 TCEQ Third-Party Administrator SEP Report
  - Approved the Designation of SEP Funds for:
    - Columbia-Brazoria ISD (4 buses) \$168,000.00
    - Goose Creek ISD (10 buses) \$265,657.00

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

## **AERCO Emission Trading and Related Activities**

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

## **Community Outreach**

H-GAC staff updated AERCO's new website at [http://www.h-gac.com/about/advisory-committees/aerco/ac\\_aerco.aspx](http://www.h-gac.com/about/advisory-committees/aerco/ac_aerco.aspx) to reflect new Board members and worked with H-GAC's Clean Vehicles Program coordinator to distribute funds to area school districts. In addition, staff performed outreach in the form of emails, flyer distribution, news articles, and phone calls for the Clean School Bus Program.