

The Houston-Galveston Area Emission Reduction Credit Organization Annual Report for January 1-December 31, 2014

This report contains a summary of the activities of the Houston-Galveston Area Emission Reduction Credit Organization (AERCO) through December 31, 2014, in its eighth year of organizational activity under its renewed twelve-year charter, which expires on October 18, 2018.

In 1993 the 73rd 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 include 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, Brandon Greulich of the Emissions Banking and Trading Program of the TCEQ Air Quality Division. Board membership reflects a range of interests: the general public (3), environmental concerns (2), large industry (7), small regulated businesses (3), economic development interests (3) and the TCEQ. 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 appointments as of December 31, 2014. Edward (Ed) Fiesinger, PE continued as Board Chair.

County Represented	Category Represented	Board Member	Employer
Brazoria	Large Industry	Davis, Jarod	Dow Chemical Company
Brazoria	Large Industry	Fiesinger, Ed	Zephyr Environmental Corporation
Chambers	Large Industry	Simon, B.J.	Baytown/West Chambers County Economic Development Foundation
Fort Bend	Economic Development	VACANT	
Galveston	General Public	VACANT	
Galveston	Large Industry	Passantino, Patrick	Valero Energy Corporation Texas City Refinery

County Represented	Category Represented	Board Member	Employer
Harris	Economic Development	Richards, Malcolm	CH2M Hill
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	NRG Energy, Inc.
Harris	Large Industry	Lewis, Edward	Norton Rose Fulbright LLP
Harris	Small Business	Rash, Jeanette	Safe Clear Management Group
Harris	Small Business	Zamarripa, Fernando	WCF Development
Liberty	Small Business	Hebert, John J.	John J. Hebert Distributing, Inc.
Montgomery	General Public	Bosma, Mark	Montgomery County
Waller	Economic Development	Rhoads, Orval	Waller County

AERCO Financial Transactions

The H-GAC Finance Department provided the following AERCO financial summaries through H-GAC's fiscal year end, December 31, 2014.

AERCO Account Balance Sheet for January 1-December 31, 2014 (Fiscal Year 2014)		
Date	Source	Amount
<i>Federal Bank Account</i>		
01/01/2014	Balance Forward	\$74,111.90
	<i>Subtract Payment to City of Baytown</i>	<i>(\$22,000.00)</i>
	<i>Subtract Bank Fees, Checks and Supplies</i>	<i>(\$427.43)</i>
12/31/2014	Ending Balance	\$51,684.47
01/01/2015	Balance Forward	\$51,684.47

AERCO Account Balance Sheet for January 1-December 31, 2014 (Fiscal Year 2014)		
Date	Source	Amount
<i>State Bank Account</i>		
01/01/2014	Balance Forward	\$1,397,452.58
	Add Texas SEP Fund Contributions	\$346,452.50
	Add Interest Earned from State Bank Account.	\$493.99
	<i>Subtract State Reimbursement to H-GAC for Payments Made to Houston Independent School District (ISD), Hull-Daisetta ISD, Clear Creek ISD, Crosby ISD, High Island ISD, Klein ISD and Texas Serenity Academy.</i>	(\$711,975.73)
12/31/2014	Ending Balance	\$1,032,423.34
01/01/2015	Balance Forward	\$1,032,423.34

As of December 31, 2014, AERCO had contracted \$290,000 in funding that had not yet been expended.

Board Action Highlights

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

- On February 12, 2014, the Board took action on the following items:
 - Approved the Board Minutes for November 13, 2013
 - Approved the Fourth Quarter 2013 AERCO Financial Report
 - Approved the Fourth Quarter 2013 TCEQ Third-Party Administrator SEP Report
 - Approved the Designation of SEP Funds for:
 - Fort Bend ISD \$100,000
 - Klein ISD \$138,000
 - Liberty ISD \$100,000.00

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

- On May 14, 2014, the Board took action on the following items:
 - Approved the Board Minutes for February 12, 2014
 - Approved the First Quarter 2014 AERCO Financial Report
 - Approved the First Quarter 2014 TCEQ Third-Party Administrator Report
 - Approved the Designation of SEP Funds for:
 - Crosby ISD \$100,000

During this meeting, members approved a resolution recognizing and honoring the service of outgoing Board member Patrick Bartosh (March 2003-April 2014). All other agenda items were included as discussion items only. These included reviews of the quarterly TCEQ report, TCEQ updates, Clean Vehicles updates, and Clean School Bus updates.

- On August 13, 2014, the Board took action on the following items:
 - Approved the Board Minutes for May 14, 2014
 - Approved the 2015 Board Meeting Schedule:
 - Wednesday, February 11, 2015, 2:00-3:30 p.m.
 - Wednesday, May 13, 2015, 2:00-3:30 p.m.
 - Wednesday, August 12, 2015, 2:00-3:30 p.m.
 - Wednesday, November 11, 2015, 2:00-3:30 p.m.
 - Approved the Second Quarter 2014 AERCO Financial Report
 - Approved the Second Quarter 2014 TCEQ Third-Party Administrator Report
 - Acceptance of Designation of SEP Funds for:
 - Crosby ISD \$79,000

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

- On November 12, 2014, the Board took action on the following items:
 - Approved the Board Minutes for August 13, 2014
 - Approved the Third Quarter 2014 AERCO Financial Report
 - Approved the Third Quarter 2014 TCEQ Third-Party Administrator Report
 - Acceptance of Designation of SEP Funds for:
 - High Island ISD \$90,000
 - Columbia-Brazoria ISD - \$100,000

All other agenda items were included as discussion items only. These included reviews 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 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 to reflect new Board members and worked with H-GAC's Clean Vehicles Program coordinator to distribute funds for 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 and SEP fund projects. Staff also promoted AERCO at H-GAC's annual Clean Fleet Technologies Conference held June 10, 2014, and at H-GAC's Transportation Fair on August 14, 2014.