

Houston-Galveston Area Emission Reduction Credit Organization (AERCO)

Minutes from the Board of Directors Meeting

Wednesday, May 13, 2015 – 2:07 PM

Houston-Galveston Area Council (H-GAC)
3555 Timmons Lane, Conference Room B, Houston TX 77027

MEMBERS PRESENT (*Quorum*):

John Kush (Vice Chair)
Jo Anna Castilleja *
Jarod Davis *
John Hebert *
Eddie Lewis *
Mary Jane Naquin *
Patrick Passantino *
Malcolm Richards *
B.J. Simon *
Fernando Zamarripa *

* Attended by teleconference

MEMBERS ABSENT (*No proxy vote*):

Ed Fiesinger (Chair)
Jeanette Rash
Orval Rhoads

H-GAC STAFF PRESENT:

Carlos Lugo
Sean Middleton
Annette Olsen
Cameron Stawicki
Robert Veazie
Chuck Wemple
Shelley Whitworth

GUEST:

Joe Thomas, Texas Commission on
Environmental Quality (TCEQ)

In the absence of Chair Ed Fiesinger, Vice Chair John Kush conducted the meeting. Those attending in person and by phone introduced themselves, and then John Hebert reported on Mr. Fiesinger's status.

Robert Veazie announced the appointment of new AERCO board member Lance LaCour of the Katy Economic Development Council to represent Fort Bend County in the Economic Development category effective as of June 1. Mr. LaCour will join the board at the next meeting. Mr. Veazie also indicated that staff is following up on additional AERCO board nomination requests. Annette Olsen noted that the AERCO directory previously mailed to board members has been superseded. The new version shows the Montgomery County membership as vacant. An updated version adding the anticipated new members will be available before the next AERCO board meeting.

As the first action item, the members unanimously approved the minutes from the last meeting on February 11.

Mr. Veazie presented the two financial reports for the first quarter of 2015, starting with the AERCO Financial Report dated April 30, 2015. The state Supplemental Environmental Project (SEP) account (the purple table on page 1) received five SEP contributions totaling \$170,129.00 and monthly interest totaling \$92.68. AERCO paid Liberty Independent School District (ISD) \$100,000.00 in SEP funds to replace one school bus. Accordingly, the state SEP account had an ending balance of \$1,102,645.02.

AERCO's general account report (the green table on page 2) showed a balance of \$51,514.28. There were no deposits, and the quarterly expenses totaled \$170.19 for the monthly analysis fees.

According to the account funding history (the blue table on page 3), AERCO had received \$10,269,968.50 and disbursed \$9,161,296.82 within the eight-county nonattainment area since program inception. At this time AERCO had reserved \$195,000.00 for two projects in the application phase and \$511,231.00 for four projects in the implementation phase. The balance of \$402,440.68 was available for new projects as of April 30. Staff has

received additional significant contributions since that date, which will be reported at the next AERCO meeting. Staff has also received various new applications for school bus replacements.

Mr. Veazie next reviewed the TCEQ SEP Third-Party Administrator Quarterly Report as of April 30, 2015. It mirrors the AERCO Financial Report for the first quarter, showing five contributions, three months of interest, and one disbursement. The only expense for this quarter was the \$100,000.00 disbursement to Liberty ISD. Page 4 of the TCEQ Report provides the vehicle identification numbers of the old vehicles replaced and new vehicles funded by AERCO since the beginning of the year, for a total of four new school buses. Mr. Veazie will submit this report to TCEQ for review. Mr. Veazie mentioned that the school districts are showing a lot of interest in school bus replacement funding. He estimated that at least three or four districts will submit invoices for payment during the second quarter—if they submit their documentation in a timely manner.

The board unanimously approved the AERCO Financial Report and the TCEQ Report.

Mr. Veazie then presented the following SEP funding requests to the board for approval:

Crosby ISD (1 school bus)	\$81,531.00
Humble ISD (1 school bus)	\$239,700.00
<u>Danbury ISD (5 school buses)</u>	<u>\$45,000.00</u>
Totals: 7 school buses	\$366,231.00

The board unanimously approved the distribution of these funds.

Joe Thomas provided the TCEQ Emission Banking & Trading (EBT) Program’s first quarter 2015 information for the Houston-Galveston-Brazoria nonattainment area as of May 12 as follows:

AVAILABLE CREDITS IN THE BANK (NOx AND VOX ONLY)

Type	Pollutant	Available Credits in Tons per Year
Emission Reduction Credit (ERC)	NOx	282.0
ERC	VOC	815.0
Discrete Emission Reduction Credit (DERC)	NOx	27,575.9
DERC	VOC	1,076.0
Mobile DERC (MDERC)	NOx	237.2

AVERAGE CREDIT TRADE PRICES FOR PREVIOUS 12 MONTHS

Credit Type	Pollutant	Per Ton per Year
ERC	VOC	\$245,649
ERC	NOx	\$185,775

AVERAGE ALLOWANCE TRADE PRICES FOR PREVIOUS 12 MONTHS

Program	Current	Vintage	Stream
Highly Reactive Volatile Organic Compound (HRVOC) Emissions Cap and Trade (HECT) Program	\$1,750	Not Applicable*	Not Applicable*
Mass Emissions Cap and Trade (MECT)	\$347	\$216	\$103,338

* These trades were in-house (between companies with the same owner), so no prices are associated with them.

At the end of the first quarter the EBT staff had the following projects pending:

Project Type	Total Pending
Allowance Certification	1
Compliance Report (HECT and MECT)	397
DERC Generation	1
DERC Intent to Use	4
DERC Use	17
ERC Generation	21
ERC Intent to Use	6
Miscellaneous	2
Transfer	27

The ad hoc bylaws committee was formed at the last board meeting on February 11, and consists of Jo Anna Castilleja, John Hebert, Eddie Lewis and Fernando Zamarripa. The members met with staff members this date at 1:00 PM by teleconference. According to Mr. Lewis, at the May 2014 board meeting a number of changes to the bylaws were proposed, a couple of which caused some concern among a few members. The most important issue is that sometimes the three-month period between AERCO board meetings could cause problems either on the H-GAC side or the AERCO side. This afternoon the committee discussed was a proposal to allow AERCO board to vote by email or other means more frequently than the quarterly schedule. The committee plans to research the issues and meet again on June 3 to discuss the options. The approved August 2013 bylaws will be used as the basis for the draft bylaws, incorporating some of the changes proposed in the May 2014 version, the result of the committee's deliberations on the voting change, etc. The board members should receive the new draft in time to review it in preparation for deliberation and possible approval at the August 12 board meeting.

There were no public comments.

The next AERCO board meeting was scheduled for Wednesday, August 12, 2015, at 2:00 PM at H-GAC. Members requested that the revised bylaws draft be added as a discussion or action item for that meeting.

Mr. Kush formally adjourned the AERCO Board of Directors meeting at 2:37 PM.

**If you have an item you wish to be added to the agenda for a future meeting,
please email your request to H-GAC staff at cleanvehicles@H-GAC.com.**