

Minutes from the Board of Directors Meeting

Wednesday, May 10, 2017 – 2:03 PM

APPROVED

Houston-Galveston Area Council (H-GAC)

3555 Timmons Lane, Transportation Conference Room Blue, Houston TX 77027

MEMBERS PRESENT (*Quorum*):

John Kush (Chair)
Chad Cryer (TCEQ ex officio) *
Courtland Holman *
Lance LaCour *
Mary Jane Naquin *
Patrick Passantino *
Yancy Scott *
B.J. Simon *
Fernando Zamarripa *

* Attended by teleconference

MEMBERS ABSENT (*No proxy vote*):

Jo Anna Castilleja
Eddie Lewis
Will Nipper
Jeanette Rash
Malcolm Richards

H-GAC STAFF PRESENT:

Annette Olsen
Jim Mahood
Cameron Stawicki

Chair John Kush conducted the meeting and introduced those attending in person and by phone. He welcomed new AERCO Board member Yancy Scott, representing Waller County in the Economic Development category. Since new member Will Nipper was out of town, his welcome was postponed until next meeting.

Cameron Stawicki reported that executive staff would soon send nomination forms to appropriate counties to fill vacancies for all H-GAC advisory committees and AERCO. AERCO currently has five (5) vacancies in Brazoria, Galveston, Harris (2) and Montgomery Counties.

Annette Olsen followed up with the members about sending them their meeting materials both electronically and by U.S. mail. Everyone received the electronic version, but Mr. Kush never received the mailed paper copy.

As the first order of business, the members unanimously approved the meeting summary from February 8, 2017.

Next, Mr. Kush reviewed the bylaws Article VIII.B about forming an Officer Nominations Committee each year. The committee members will meet with staff later by teleconference. They shall submit their nominations to the board members at the August 9 board meeting. During the following discussion Courtland Holman, Mary Jane Naquin, and B.J. Simon volunteered to serve. The members unanimously approved these individuals to serve on the 2017 Officer Nominations Committee.

Mr. Stawicki presented the *TCEQ SEP Third-Party Administrator Quarterly Report* for the first quarter of 2017. The TCEQ balance was \$1,755,388.24. There were no expenses.

Mr. Stawicki next reviewed the *Financial Report for 2017 Quarter 1: January 1-March 31, 2017*. dated May 3, 2017. Starting with the State Supplemental Environmental Project (SEP) account transactions (purple table on page 1), Mr. Stawicki noted that AERCO received SEP contributions totaling \$163,275.00 and monthly interest totaling \$408.19, for an income total of \$163,683.19. The only disbursements this quarter were for monthly administration expenses totaling \$34,068.81. Therefore, the state SEP account had an ending balance of \$2,181,223.07.

AERCO's General Account Transactions (green table on page 2) detailed a January 31 withdrawal in the amount of \$6.075.00, with a corresponding deposit for the same date and amount to the SEP account. This "expense" was

actually to correct an accounting error that had posted this SEP donation into the general account. With the monthly account analysis charges, the quarterly expenses totaled \$6,205.63. There were no deposits this quarter, so the first quarter 2017 balance was \$44,326.44.

Per the Grant Funding History (blue table on page 3) from AERCO's inception through March 31, 2017, \$11,654,928.84 had been released, of which \$10,421,289.82 had been disbursed to sub-recipients. Funds currently committed to sub-recipients in the contract phase totaled \$726,969.00, while funds tentatively set aside for those in the application phase totaled \$259,990.00. That left \$246,680.02 available for new projects.

The board unanimously approved the TCEQ and Financial Reports.

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

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| 1. Houston Independent School District (ISD) (3 buses) | \$43,813.00 |
| 2. Houston ISD (43 buses) | \$977,144.00 |

Mr. Stawicki explained that for the second project, the reimbursement payments would be made over the five-year lifetime of the project rather than in one lump sum. Staff had planned to distribute 1/5 of the funds per year (\$195,428.80). Mr. Kush brought up the possibility of approving this phased reimbursement year by year. Project specialist Jim Mahood confirmed that Houston ISD understands that the phased funding is not guaranteed from year to year.

The board had no problem with the first project, but members objected to committing future, undetermined income not currently in the bank for the second project. They also wanted to accommodate future funding for other school districts. Members and staff examined program history recorded in the approved financial report. There had been at least three (3) SEP-funded projects that received over one million dollars, although most recent projects were in the \$100,000.00 range awarded to small school districts. In addition, it was noted that Harris County generates about half of the emissions in the eight-county ozone nonattainment area, and so has half of the seats on the board. In addition, Houston ISD is the largest school district in Harris County. Before these two projects were submitted, the district had not received AERCO funding since 2011.

Mr. Mahood affirmed that the school district knows that there is no guarantee of any future payment. The remaining amount from the application will remain open, and staff can resubmit the project on the agenda of any future meeting for further consideration of phased payments, as long as the payment total does not exceed the contract maximum of \$977,144.00. Approving the second project's currently amended payment amount would not obligate the AERCO board to approve any future partial payment(s) on the project. This allows any other school district to apply for future funds, with the AERCO board having the option to approve that district's project without any obligation to fund Houston ISD's second project at that time.

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| 1. Houston ISD (3 buses) | \$43,813.00 |
| 2. Houston ISD (partial funding for proportionate number out of 43 buses) | <u>\$202,867.02</u> |

TOTAL **\$246,680.02**

This release total equaled the total of funds available per the approved *Financial Report for 2017 Quarter 1: January 1-March 31, 2017*. The board unanimously approved the designation of the revised funding amounts.

Chad Cryer had previously sent staff the TCEQ Emission Banking & Trading (EBT) Program summary report for the first quarter 2017. Staff now confirmed with the attending voting members that the report section detailing the

EBT team’s pending projects is of value to them. Then Chad presented the data for the Houston-Galveston-Brazoria eight-county nonattainment area as of May 10, 2017, as follows:

AVAILABLE CREDITS IN THE BANK (NOx AND VOX ONLY)

Type	Pollutant	Available Credits in Tons per Year
Emission Reduction Credit (ERC)	Nitrogen oxides (NOx)	301.0
	Volatile organic compounds (VOC)	742.9
Discrete Emission Reduction Credit (DERC)	Carbon monoxide (CO)	16.3
	Hazardous air pollutant (HAP)	771.4
	NOx	29,649.8
	VOC	1,029.3
Mobile DERC (MDERC)	NOx	242.1

AVERAGE CREDIT TRADE PRICES FOR PREVIOUS 12 MONTHS

Type	Pollutant	Per Ton per Year
ERC	VOC	\$92,482.00
	NOx	\$120,606.00
DERC	NOx	\$6,500.00

AVERAGE ALLOWANCE TRADE PRICES FOR PREVIOUS 12 MONTHS (Per Ton in Perpetuity)

Program	Current	Vintage	Stream
Mass Emissions Cap and Trade (MECT)	\$212.00	\$146.00	\$64,951.00

The EBT staff had the following projects pending or suspended:

Project Type	Total Pending	Total Suspended
Compliance Report (HECT and MECT)	395	
DERC Generation		2
DERC Intent to Use	5	
DERC Use	3	
ERC Generation	17	42
ERC Intent to Use	9	
ERC Re-Review	1	
Miscellaneous	2	
Transfer	14	

There were no public comments.

The next board meeting was scheduled for Wednesday, August 9, 2017, at 2:00 PM at H-GAC.

Mr. Kush formally adjourned the AERCO Board of Directors meeting at 2:56 PM.