

Houston-Galveston Area Emission Reduction Credit Organization (AERCO)

Minutes from the Board of Directors Meeting

Wednesday, November 12, 2014 – 2:00 PM

Houston-Galveston Area Council (H-GAC)
3555 Timmons Lane, Floor 5, Conference Room B, Houston TX 77027

MEMBERS PRESENT:

John Hebert * (Presiding Officer)
Jo Anna Castilleja *
Jarod Davis *
Brandon Greulich (*ex officio*) *
Eddie Lewis *
Mary Jane Naquin *
Patrick Passantino *
Jeanette Rash *
Orval Rhoads *

* Attended by teleconference

PROXY VOTES (*Sent before the meeting*):

Mark Bosma
John Kush
Malcolm Richards

MEMBERS ABSENT (*No proxy vote*):

Ed Fiesinger (Chairman)
B.J. Simon
Fernando Zamarripa

H-GAC STAFF PRESENT:

Annette Olsen
Robert Veazie
Shelley Whitworth

In the absence of Chairman Ed Fiesinger and in accordance with Section V.C. of the bylaws of the Houston-Galveston Area Emission Reduction Credit Organization (AERCO), the board members present unanimously approved John Hebert as presiding officer for this meeting.

Mr. Hebert officially called the AERCO Board of Directors Meeting to order at 2:08 PM, and the meeting attendees introduced themselves.

Next, the board members unanimously approved the meeting minutes from August 13, 2014.

The board members were concerned about Article XI.F. of the amended AERCO bylaws. It was suggested that the wording for this could be changed to the following:

H-GAC staff is authorized to submit AERCO projects to the H-GAC Board for approval to fund such projects. At the next meeting the AERCO Board will vote to confirm these actions.

This article is intended to convey the intent of AERCO's resolution approved February 7, 2007, authorizing the transfer of Supplemental Environmental Project (SEP) funds to H-GAC for timely implementation and reimbursement for the Clean School Bus Houston-Galveston area program participants. The board members agreed that as this article is currently written, it is too broad.

Another issue brought up was about Article IX.C., which could possibly conflict with the Open Meetings Act. The board members also wished to discuss the amended bylaws in more detail when Chairman Fiesinger could be present. Therefore, the action item regarding submitting the amended AERCO bylaws to the H-GAC Board of Directors for approval was tabled until the next AERCO Board meeting on February 11, 2015.

Mr. Veazie presented the financial reports for the third quarter 2014. First, he reviewed the six-page AERCO Financial Report dated October 31, 2014. During this quarter AERCO received one contribution in the amount of

\$14,250.00 to its state SEP account (the purple table on page 1). SEP funds were disbursed for the following three projects:

- Clear Creek Independent School District \$138,393.00
- Crosby Independent School District \$100,000
- Hull-Daisetta Independent School District \$100,000

The state SEP account had an ending balance of approximately \$1.26 M.

AERCO's General Account Report (the green table of page 2 of the AERCO Financial Report) showed a balance of \$51,884.81. The quarterly expenses incurred were for the monthly analysis fees.

According to the AERCO Account Funding Detail (the blue table on page 3 of the AERCO Financial Report), as of October 31, 2014, AERCO had received \$9,895,260.03 and disbursed \$8,923,296.82 since program inception. At this time AERCO had reserved \$428,000.00 for projects in the implementation phase. Those funds will be disbursed after staff receives the invoices for the purchased school buses. The remaining funding balance of \$543,963.21 was available for new projects. Since this report was printed, several other contributions have been received, but will appear on the next quarterly and annual reports.

Next, Mr. Veazie reviewed the four-page Texas Commission on Environmental Quality (TCEQ) Supplemental Environmental Project (SEP) Third-Party Administrator Quarterly Report (TCEQ SEP Report) for July 1 through September 30, 2014. It mirrors the H-GAC report for the third quarter, showing the one contribution and three disbursements. However, on page 4 this report provides the vehicle identification numbers of the old vehicles replaced and new vehicles funded by AERCO during 2014. For the third quarter AERCO funded eighteen (18) new school buses.

The board members unanimously approved both the AERCO Financial Report and the TCEQ SEP Report.

Next, the board members unanimously approved SEP funding for the following school district grant applications as recommended by staff:

- High Island Independent School District: \$90,000
- Columbia-Brazoria Independent School District: \$100,000

Brandon Greulich reported that the TCEQ Emissions Banking and Trading (EBT) Program staff is trying to wrap up for 2014. They currently have over 200 projects that they are still working on to complete their 2014 annual reports. According to Mr. Greulich, the following credit and allowances prices are all based on trades received and approved in the past twelve (12) months:

A. Average allowance price in the Mass Emissions Cap and Trade (MECT) Program for nitrogen oxides (NOx):

- Vintage = \$135 per ton
- Current = \$195 per ton
- Stream (i.e., perpetuity trade) = \$99,593 per ton per year (tpy)

B. Average allowance price in the Highly Reactive Volatile Organic Compound (HRVOC) Emissions Cap and Trade (HECT) Program:

- Vintage = \$1,767 per ton
- Current = \$1,760 per ton
- Stream = N/A (no HRVOC stream of allowance trades received in the past year)

C. Average Emission Credit (EC) price:

- NO_x = \$146,504 per ton per year
- VOC = \$236,477 per ton per year

D. Average Discrete Emission Credit (DEC) price:

- NO_x = \$10,211 per ton
- NO_x (generated from mobile sources) = \$5,000 per ton

There were no public comments. However, Jeanette Rash asked whether the four vacant AERCO board seats for Fort Bend (one for the Economic Development category), Galveston (one for the General Public category) and Harris County (two for the General Public and Small Business categories) had been filled yet. Since the August AERCO board meeting she had sent a follow-up request about the two Harris County seats to Richard Zientek, Transportation Policy Advisor to Harris County Judge Ed Emmett. Staff has not yet received the Harris County form yet. Typically, the counties send their completed nomination forms to the H-GAC Executive Director's assistant, who adds the advisory committee recommendations to the next H-GAC Board of Directors meeting agenda. The assistant also notifies the AERCO staff about the new nominations.

The next AERCO board meeting was scheduled for Wednesday, February 11, 2015, at 2:00 PM at H-GAC. Members and staff requested the following agenda items for that meeting:

1. Discussion and/or Approvals
 - a. Articles IX.C. and XI.F. from the bylaws
 - b. Draft of AERCO 2014 annual report
 - c. Quarterly financial reports
2. Link to online AERCO documents to be included in future meeting notices:
<http://www.h-gac.com/agendas/emissions/default.aspx>
3. Officer elections for Chair and Vice-Chair
4. AERCO directory update postponed until after officer elections

Mr. Hebert formally adjourned the AERCO Board of Directors meeting at 2:42 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.**