

Houston-Galveston Area Emission Reduction Credit Organization (AERCO)

Minutes from the AERCO Board of Directors Meeting

Wednesday, May 11, 2016 – 2:00 PM

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

<http://www.H-GAC.com/agendas/emissions/default.aspx>

DRAFT

MEMBERS PRESENT (*Met quorum with 8 present and 2 proxies:*

John Kush (Chair)
Jarod Davis
Ed Fiesinger *
Lance LaCour *
Eddie Lewis (Vice Chair) *
Patrick Passantino *
Jeanette Rash (Secretary) *
Malcolm Richards *

* Attended by teleconference

PROXY VOTES (*Sent before the meeting:*

John Hebert
Fernando Zamarripa

MEMBERS ABSENT (*No proxy vote:*

Jo Anna Castilleja
Mary Jane Naquin
Orval Rhoads
B.J. Simon

H-GAC STAFF PRESENT:

Carlos Lugo *
Annette Olsen
Jim Mahood
Cameron Stawicki

GUESTS PRESENT:

Kyle Breeze (Element Markets)
Joseph Thomas (substitute for ex officio member,
Deric C. Patton)

Chair John Kush conducted the Houston-Galveston Area Emission Reduction Credit Organization (AERCO) Board of Directors meeting, which began at 2:00 PM. He introduced those attending in person, by phone and by proxy.

Cameron Stawicki reported that the bylaws revision approved by the AERCO Board has been submitted to the H-GAC Board for approval at their May 17 meeting.

Mr. Stawicki also advised that staff is following up with Galveston, Harris and Montgomery Counties about their nominations for the four (4) AERCO Board vacancies. Staff recently submitted the following renomination requests for the June 1, 2016-May 31, 2019 term to the respective counties:

Board Member	County	Category Represented
Castilleja, Jo Anna	Harris	Large Industry
Davis, Jarod	Brazoria	Large Industry
Fiesinger, Ed	Brazoria	Large Industry
Hebert, John	Liberty	Small Business
Simon, B.J.	Chambers	Large Industry
Zamarripa, Fernando	Harris	Small Business

Responding to questions from Jarod Davis, staff clarified that:

- The counties are responsible for nominating new members or renominating current members.
- According to the bylaws, members whose terms have expired may continue to serve on the AERCO Board until they are replaced.

The AERCO Board unanimously approved the meeting minutes from February 10.

Next, Mr. Stawicki presented the TCEQ SEP Third-Party Administrator Quarterly Report for the first quarter 2016 (January 1-March 31). The only expenses were interest (\$332.28) and administrative costs (\$901.45) detailed on page 2. With five (5) new contributions to AERCO's SEP account during the quarter, the balance at the end of 2016 Q1 was \$1,968,788.22.

Mr. Stawicki also reviewed the first quarter 2016 Financial Report dated April 30, 2016, as follows:

- A. The state SEP account report (purple table on page 1) confirmed the TCEQ SEP report's figures, including that the five (5) contributions totaled \$178,747.00. There were no project disbursements this quarter.
- E. AERCO's general account report (green table on page 2) showed a first quarter balance of \$250,756.97 because the only transactions were the monthly account analysis charges totaling \$116.44.
- F. According to the grant funding history (blue table on page 3), the funding available for new projects totaled \$223,788.02.
- G. Two (2) new projects have been added in 2016 to the Active Projects report (orange table on pages 4-7): Santa Fe Independent School District (ISD) and Magnolia ISD.

The AERCO Board unanimously approved the TCEQ SEP and AERCO Financial Reports.

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

- Magnolia ISD (10 buses) \$215,023.00
- Santa Fe ISD (2 buses) \$100,000.00

The AERCO Board unanimously approved the designation of these SEP funding requests.

Joseph Thomas of the TCEQ's Emission Banking & Trading (EBT) Program presented the following first quarter EBT Report for the Houston-Galveston-Brazoria nonattainment area as of May 11, 2016:

AVAILABLE CREDITS IN THE BANK (NOx AND VOX ONLY)

Type	Pollutant	Available Credits in Tons per Year
Emission Reduction Credit (ERC)	Nitrogen oxides (NOx)	274.4
	Volatile organic compounds (VOC)	859.6
Discrete Emission Reduction Credit (DERC)	Carbon monoxide (CO)	15.1
	Hazardous air pollutant (HAP)	771.4
	NOx	30,725.0
	VOC	1,075.6
Mobile DERC (MDERC)	NOx	242.1

AVERAGE CREDIT TRADE PRICES FOR PREVIOUS 12 MONTHS

Type	Pollutant	Per Ton per Year
ERC	VOC	\$208,208
	NOx	\$87,110
DERC	VOC	\$7,500
	NOx	\$5,250
MDERC	NOx	\$7,500

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

Program	Current	Vintage	Stream
Highly Reactive Volatile Organic Compound Emissions Cap and Trade (HECT)	\$1,500		
Mass Emissions Cap and Trade (MECT)	\$551	\$177	\$83,875

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

PENDING PROJECTS

Project Type	Total Pending
Compliance Report	413
DERC Generation	2
DERC Intent to Use	4
DERC Use	6
ERC Generation	33
ERC Intent to Use	11
ERC Re-Review	1
Legal Name Change	1
Miscellaneous	1
Transfer	29

B.J. Simon was thanked for sharing a news article called “Goose Creek buys 20 buses” that was published in the *Baytown Sun* on February 11, 2016. It reported that on February 8 the Goose Creek Consolidated ISD (CISD) Board of Trustees had approved the purchase of 20 new school buses and accepted H-GAC’s grant in the amount of \$300,000 to help fund some of them.

H-GAC staff member Carlos Lugo presented additional information on the Goose Creek CISD Clean Vehicles Program (CVP) project. CVP and AERCO will help Goose Creek ISD replace 10 of their 20 new school buses. AERCO’s total SEP funds for this project are \$265,657.00, which is almost \$27,000 per bus. Staff recently sent a Notice To Proceed letter to the district. After the signed notice is returned to staff, the grant contract will be fully executed.

The only public comment was from Kyle Breeze, Director of Emission Markets (in Texas and Louisiana) for Element Markets. He mentioned that some individuals in Baton Rouge, Louisiana, have been inspired

by Idle Free School Zone efforts by a teacher in another state, who created her own signs for posting at school. Mr. Breeze suggested that perhaps the AERCO Board could consider using SEP funds for Idle Free School Zone projects in this region. It would be a cost-effective means of addressing the problem of emissions in school zones.

The next AERCO Board meeting was scheduled for Wednesday, August 10, 2016, at 2:00 PM at H-GAC. Mr. Kush formally adjourned this AERCO Board of Directors meeting at 2:32 PM.