

## Minutes from the Board of Directors Meeting

Wednesday, February 11, 2015 – 2:00 PM

**DRAFT**

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

### **MEMBERS PRESENT (Quorum):**

John Kush (newly elected Vice Chair)  
Jo Anna Castilleja \*  
Jarod Davis  
John Hebert \*  
Eddie Lewis \*  
Mary Jane Naquin \*  
Patrick Passantino \*  
Jeanette Rash \*  
Orval Rhoads \*  
Fernando Zamarripa \*

\* Attended by teleconference

### **PROXY VOTES (Sent before the meeting):**

B.J. Simon

### **MEMBERS ABSENT (No proxy vote):**

Mark Bosma  
Ed Fiesinger (Chair)  
Malcolm Richards

### **H-GAC STAFF PRESENT:**

Justin Bower  
Carlos Lugo  
Sean Middleton  
Annette Olsen  
Robert Veazie  
Shelley Whitworth

### **GUEST:**

Daniel Banda, TCEQ

In the absence of Chairman Ed Fiesinger, Shelley Whitworth conducted the meeting until the AERCO Board of Directors could elect a new Vice Chair in accordance with Section V of the bylaws. Due to a problem with teleconferencing in Conference Room A, the meeting attendees moved to Transportation Conference Room-Red and the meeting was called to order at 2:10 PM. Those attending in person and by phone introduced themselves.

The two guests were Justin Bower from the Community & Environmental Department of the Houston-Galveston Area Council (H-GAC) and Daniel Banda from the Emissions Banking and Trading (EBT) Program at the Texas Commission on Environmental Quality (TCEQ). Former AERCO ex officio member Brandon Greulich took another position at TCEQ, so Mr. Banda phoned in the quarterly EBT report. All EBT correspondence should be directed to Lindley Anderson, EBT Team Leader, until the new ex officio is determined by TCEQ.

John Hebert gave a brief report on Mr. Fiesinger's status. Annette Olsen will send the members Mr. Fiesinger's contact information. He is always happy to hear from people.

Mr. Hebert nominated John Kush as Vice Chair. There were no other nominations, so the nominations were closed. The vote was unanimous in the affirmative, and Mr. Kush was elected Vice Chair.

Mr. Kush immediately assumed the duty of chairing the meeting and thanked the members. The next order of business was the minutes from the last meeting on November 12, 2014. There were no changes to the minutes, which were unanimously approved.

Robert Veazie presented the financial reports for the fourth quarter of 2014 and for the fiscal year 2014. First, he reviewed the seven-page AERCO Financial Report dated February 2, 2015. During the fourth quarter AERCO received a significant number of contributions [9, totaling \$117,036.48] to its state Supplemental Environmental Project (SEP) account (the purple table on page 1).

SEP funds were disbursed for the following three school bus replacement projects:

|  |                     |
|--|---------------------|
| • Crosby Independent School District (ISD) | \$79,000.00         |
| • High Island ISD                          | \$76,206.73         |
| • Klein ISD                                | <u>\$138,000.00</u> |
| <b>TOTAL</b>                               | <b>\$155,206.73</b> |

The state SEP account had an ending balance of 1,084,107.81.

AERCO's General Account Report (the green table of page 2 of the Financial Report) showed a balance of \$51,844.81. The quarterly expenses incurred were for the monthly analysis fees. TCEQ requires AERCO to account separately for funds from federal SEPs, emission reduction credits sold, and environmental settlement decrees (not state SEP contributions). Those separate funds are kept in AERCO's general account.

According to the Account Funding Detail (the blue table on page 3 of the Financial Report) as of February 2, 2015, AERCO had received \$10,053,826.01 and disbursed \$9,161,296.82 within the area since program inception. At this time AERCO had reserved \$290,000.00 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 \$602,529.19 was available for new projects.

Next, Mr. Veazie reviewed the TCEQ SEP Third-Party Administrator Quarterly Report (TCEQ Report) for October 1 through December 31, 2014. It mirrors the H-GAC report for the fourth quarter, showing the nine contributions and three disbursements. In addition, page 4 of this report provides the vehicle identification numbers of the old vehicles replaced and new vehicles funded by AERCO during 2014. For the fourth quarter AERCO funded seven (7) new school buses. For the year a total of twenty-eight (28) were funded. Mr. Veazie will submit this report to TCEQ for review.

Mr. Veazie mentioned that in the past few months there has been a lot of interest in school bus replacement funding from school district representatives. They presumably want to place school bus orders now in order to receive the replacements over the summer, when the students are out of school.

Mr. Veazie also summarized the AERCO Annual Report for January 1-December 31, 2014. It details AERCO events that took place in 2014, as well as the current board members and vacancies. John Hebert noted that expenditures for 2014 averaged about \$28,000 per month.

Mary Jane Naquin asked whether anyone has analyzed the AERCO contributions over the years to determine whether annual income is improving or not. Mr. Veazie pointed out that the Account Funding Detail (page 3) of the AERCO Financial Report shows the income by SEP contract, for an average of about \$1M per year.

AERCO has been receiving SEP funds since 2005. Several long-time members agreed that since then it appears that AERCO has helped replace more school buses than before. Ms. Whitworth also pointed out that TCEQ caps AERCO's state SEP balance at \$5M. TCEQ also requires that the funds be spent in a timely manner [[within one year of receipt](#)], so the AERCO staff now requires districts to submit a purchase order for the school buses within thirty (30) days after signing the contract. As a result, school districts use the grant funds much faster than before.

Jarod Davis inquired if AERCO had ever processed funding grants for any other projects except school buses. Ms. Whitworth explained that our SEP agreements are limited to air quality projects. One past SEP agreement allowed projects to include transit buses and local government fleets, but the last SEP agreement eliminated those project options. Staff is about to start an inventory of school bus fleets in our region. We need to document how well (or poorly) the school bus inventories are doing with respect to age. If it shows that we do not have as great a

need for school bus grants, then perhaps TCEQ would allow AERCO to fund other projects. For instance, outlying communities have a great need for transit services, but need funding for the match.

The board members unanimously approved the Financial Report, TCEQ Report, and 2014 Annual Report.

Mr. Banda reported the EBT Program’s fourth quarter 2014 information for the Houston-Galveston-Brazoria region as follows:

**AVAILABLE CREDITS IN THE BANK (NOx AND VOX ONLY)**

| Type                                      | Pollutant | Available Credits in Tons/Year |
|---|-----------|--------------------------------|
| Emission Reduction Credit (ERC)           | NOx       | 281.1                          |
| ERC                                       | VOC       | 793.9                          |
| Discrete Emission Reduction Credit (DERC) | NOx       | 27,631.9                       |
| 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 |
|---|-----------|------------------|
| Emission Reduction Credit (ERC)           | VOC       | \$236,081        |
| ERC                                       | NOx       | \$177,155        |
| Discrete Emission Reduction Credit (DERC) | NOx       | \$10,220         |

**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)  | \$388   | \$238           | \$107,650       |

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

This is the EBT team’s trade season. They are working on 216 trades (transfers) which were entered into the database yesterday. More are expected to trickle in. Staff still has 45 compliance reports to work on. There are 23 ERC generation projects pending in-house that should provide more available credits for the bank.

Mr. Kush asked if there were board members willing to review the bylaws and perhaps draft a revision. Eddie Lewis, John Hebert, Jo Anna Castilleja, and Fernando Zamarripa volunteered to serve on the ad hoc bylaws committee, which would meet by teleconference and email. [\[On February 17 these members were sent a review packet consisting of the bylaws approved August 20, 2013, by the H-GAC Board of Directors and the draft bylaws approved by the AERCO board on May 14, 2014. H-GAC policy requires that a staff member take part of such committee meetings, so Mr. Veazie will participate and should be copied on all committee-related correspondence.\]](#)

Justin Bower of H-GAC's Community & Environmental Department (C&E) presented information on the new On-Site Sewage Facility Supplemental Environmental Project (OSSF SEP) for the thirteen-county Houston-Galveston-Brazoria (HGB) area. [Mr. Bower's six-page PowerPoint presentation was sent to the board members by email on February 11 and is currently available online at <http://www.h-gac.com/taq/airquality/aerco/documents/February%2011%202015/on-site-sewage%20facility%20SEP%20presentation%202015-02-11.pdf>.] Due to the success of AERCO's SEP, Mr. Bower consulted with Mr. Veazie for information on successfully operating a SEP. This presentation was to educate the AERCO board members about the availability of the new SEP and its anticipated second SEP.

Although AERCO's SEP is strictly for air quality projects, the OSSF SEP is for water quality projects. It will help replace failing septic systems (mostly aging residential systems) that are a primary source of water pollution in the HGB region. This is an important public health concern. Most of the region's waterways have failed to meet Texas state water quality standards, mainly due to fecal bacteria contamination. OSSF SEP funds are limited to low income households because remediation through pumping out, repairing, or replacing their failing septic systems is expensive. SEP funds will be generated from permitted entities with water or waste water violations. C&E staff members work closely with each county's leadership in targeted waterways. For instance, they are currently working with the Brazoria County commissioners' court on the Bastrop Bayou watershed project.

Ms. Whitworth and Mr. Davis strongly recommended that C&E staff also educate the area's environmental lawyers and company regulatory heads about the new SEP.

There were no public comments.

Ms. Naquin asked whether there had been any progress on filling the vacant AERCO board seats, especially for Harris County. Jeanette Rash mentioned that she had contacted Richard Zientek, Transportation Policy Advisor to County Judge Ed Emmett, but did not know specifically who to contact about the matter. She planned to send more information to him to follow up. Ms. Whitworth mentioned that it was almost the time of year that the counties make their advisory committee nominations.

The next AERCO board meeting was scheduled for Wednesday, May 13, 2015, at 2:00 PM at H-GAC. Members and staff requested that the bylaws committee report be added as a discussion item for that meeting.

Mr. Kush formally adjourned the AERCO Board of Directors meeting at 2:57 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](mailto:cleanvehicles@H-GAC.com).**