

T E X A S COMMISSION ON ENVIRONMENTAL QUALITY
P. O. BOX 13087, MC 204
AUSTIN, TEXAS 78711-3087

June 10, 2010

ADDENDUM NUMBER 1
TO

SOLICITATION TITLE: TERP Emissions Reduction Incentive Grants - Request for Applications
EMISSIONS REDUCTION INCENTIVE GRANTS
SOLICITATION NUMBER: 582-10-94302
DUE DATE: August 13, 2010

The following are changes/clarifications/additions to the above referenced Solicitation.

Item A. *Supplemental Activity Application Forms*, TCEQ-10430a.2, TCEQ-10430b.2, TCEQ-10430c.2, TCEQ 10430d.2, and TCEQ 10430e.2, Section 7, Item A which states: "The applicant has owned the vehicle/equipment/marine vessel/locomotive being replaced for at least the two years preceding the submission of this grant application." With regard to this provision in each of the supplemental forms listed, the following clarification is provided.

If a waiver of the two-year ownership requirement is requested, the written explanation provided with the application must state in detail how the applicant's company ownership history and/or the ownership history of the vehicle or equipment being replaced meets the requirements for the TCEQ to consider a waiver. Documents to support the ownership history information provided in the written explanation should also be provided, including copies of vehicle titles for the preceding two years

Item B. *Supplemental Activity Application Form*, TCEQ 10430a.2, Section 7, Item F, which states: "The vehicle is currently registered and has a current safety inspection if one is required for that vehicle. With regard to this provision in the supplemental form, the following clarification is provided.

Applicants should refer to page 5 of the *Request for Applications*, Section 1.5.a, Subsection 2, for detailed information on situations where the TCEQ may waive the two-year ownership requirements. In providing an explanation in Section 7, Item F of the above-referenced supplemental form, applicants should clearly explain how the applicant meets the conditions for a waiver as outlined on page 5 of the *Request for Applications*. Copies of temporary or intermittent registration documents should be provided to show the registration history.

**Texas Emissions Reduction Plan (TERP)
EMISSIONS REDUCTION INCENTIVE GRANTS**

**Request for Applications
Fiscal Year (FY) 2010 1st Round**

**Grants for Projects to
Reduce Emissions of Oxides of Nitrogen (NO_x)
in Nonattainment and Early Action Compact Areas of Texas**

Solicitation No. 582-10-94302

Eligible Counties

Austin Area: Williamson, Travis, Bastrop, Caldwell, and Hays Counties

Beaumont-Port Arthur: Hardin, Orange, and Jefferson Counties.

Dallas-Fort Worth: Denton, Collin, Tarrant, Dallas, Rockwall, Kaufman, Ellis, Johnson, and Parker Counties.

Houston-Galveston-Brazoria: Brazoria, Fort Bend, Waller, Montgomery, Liberty, Chambers, Galveston, and Harris Counties.

San Antonio Area: Comal, Guadalupe, Wilson, and Bexar Counties.

Tyler-Longview: Upshur, Gregg, Rusk, Smith and Harrison Counties.

Please Note:

- 1. The maximum cost per ton for different types of projects is as follows: \$5,000 for marine vessel and locomotive projects and \$10,000 for non-road equipment, on-road vehicle, and stationary equipment projects. Applications are selected for funding on a competitive basis and projects with a lower cost per ton may have a greater chance of selection.**
- 2. A portion of the funding allocated to this program may be set aside for projects involving non-road and stationary agricultural equipment.**
- 3. Applications will not be accepted for an activity that was included in a project previously awarded a TERP grant and that was subsequently canceled by the grant recipient after the date of issuance of this Request for Applications.**
- 4. Activities involving one type of emission source (on-road, non-road, marine, locomotive, or stationary) may not be combined with an activity involving a different emission source in the same project application. Activities involving different types of emission sources must be applied for under separate project applications.**

May 25, 2010

**Texas Commission on Environmental Quality (TCEQ)
Air Quality Division
Implementation Grants Section (ERIG), MC-204
P.O. Box 13087
Austin, Texas 78711-3087**

Applications will be accepted for consideration during this grant period only if received at the front desk, Rm. 2202, 2nd floor of Building F on the premises of the TCEQ by *no later than 5:00 p.m. Central Time, August 13, 2010.* Applications received in the TCEQ mail room on this date are not guaranteed to be delivered to Rm. 2202 by the required deadline, so applicants are encouraged to plan their submissions accordingly.

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Texas Commission on Environmental Quality (TCEQ)

**Request for Applications
Fiscal Year (FY) 2010 1st Round**

**Grants for Projects to
Reduce Emissions of Oxides of Nitrogen (NO_x)
In Texas Nonattainment and Early Action Compact Areas**

1.0 INVITATION:

The Texas Commission on Environmental Quality (TCEQ) invites applications from persons who operate or plan to operate on-road heavy-duty vehicles, non-road equipment, marine vessels, locomotives, or stationary engines in the nonattainment and early action compact areas of Texas. Incentive funding is available for activities that will reduce the emissions of oxides of nitrogen (NO_x) in designated eligible counties. NO_x is usually a byproduct of high-temperature combustion. Everyday functions, like driving a motor vehicle or operating heavy equipment, contribute to the creation of NO_x. It reacts with volatile organic compounds (VOCs) in the presence of sunlight to form harmful ground-level ozone.

1.1 PURPOSE

This grants program is to implement a portion of the Texas Emissions Reduction Plan (TERP), established in 2001 by Senate Bill (S.B.) 5, 77th Texas Legislature. Senate Bill 5 authorized the Emissions Reduction Incentive Grants in Chapter 386, Subchapter C of the Texas Health and Safety Code. The TCEQ has also adopted rules to implement this program under 30 Texas Administrative Code (TAC) Chapter 114, Subchapter K. The TCEQ has the *Guidelines for the Emissions Reduction Incentive Grants*, RG-388 (hereafter referred to as the *guidelines*), which contain the more specific standards governing this program.

1.2 TERP GOALS

The goals of the TERP are to:

- a. assure that air in this state is safe to breathe and meets minimum federal standards established under the federal Clean Air Act (42 U.S.C. Section 7407);
- b. develop multi-pollutant approaches to solving the state's environmental problems; and
- c. adequately fund research and development that will make the state a leader in new technologies that can solve the state's environmental problems while creating new business and industry in the state.

To implement the TERP, the Emissions Reduction Incentive Grants Program will provide grants for eligible activities to offset the incremental costs of projects that reduce emissions of NO_x from high-emitting internal combustion engines in eligible areas.

1.3 PROGRAM GUIDELINES

The guidelines, grant application forms, and an example contract may be viewed and downloaded from the TCEQ Web site at < www.terpgrants.org>. The materials may also be obtained by calling TERP staff at 1-800-919-TERP (8377).

To be eligible for funding consideration, grant applications must be prepared and submitted in accordance with this notice, the guidelines, and the instructions included with the application forms.

1.4 ELIGIBLE APPLICANTS AND AREAS

General eligibility requirements are contained in Chapter 3 of the guidelines. Any person who operates or plans to operate on-road heavy-duty vehicles, non-road equipment, marine vessels, locomotives, or stationary engines in eligible counties in the nonattainment and near-nonattainment areas, as designated below, is eligible to apply for a grant. For infrastructure projects, persons owning and operating the infrastructure in those counties are also eligible to apply.

- a. Eligible applicants include individuals, corporations, organizations, governments or governmental subdivisions or agencies, business trusts, partnerships, associations, or any other legal entity. This may include a corporation headquartered outside of the state of Texas, but which operates equipment or vehicles primarily in an eligible county in Texas.
- b. Businesses or other entities in which a TCEQ employee, spouse, or family member of a TCEQ employee has a direct or indirect interest, financial or otherwise, may be prohibited from receiving a grant, depending upon the nature of the interest. Any questions regarding the eligibility of an entity to apply for a grant should be referred to the TERP staff early in the application process.
- c. This Request for Application does not apply to entities intending to serve as a third party for the funding, whereby the grant funding and/or cost savings resulting from the funding will be passed through to the owners or operators of the vehicles or equipment.
- d. For this grant funding period, the eligible counties (grouped by area) include:
 - 1) Austin Area: Williamson, Travis, Bastrop, Caldwell, and Hays Counties
 - 2) Beaumont-Port Arthur: Hardin, Orange, and Jefferson Counties.
 - 3) Dallas-Fort Worth: Denton, Collin, Tarrant, Dallas, Rockwall, Kaufman, Ellis, Johnson, and Parker Counties.
 - 4) Houston-Galveston-Brazoria: Brazoria, Fort Bend, Waller, Montgomery, Liberty, Chambers, Galveston, and Harris Counties.
 - 5) San Antonio Area: Comal, Guadalupe, Wilson, and Bexar Counties.
 - 6) Tyler-Longview: Upshur, Gregg, Rusk, Smith and Harrison Counties.
- e. Applicants must list a primary area for use of the vehicles or equipment included in the project application. Activities with different primary areas must be applied for under separate applications.
- f. For non-road equipment, excluding equipment used for natural gas recovery purposes, the applicant must commit to use the equipment at least 75 percent of the annual hours of operation in the eligible counties that the applicant designates in the application.
- g. For non-road equipment used for natural gas recovery purposes, the applicant must commit to use the equipment in the eligible counties for a sufficient amount of use over the activity life to

meet the emissions reduction commitment and cost-effectiveness requirements. To qualify for this provision, the primary purpose and use of the equipment must be for natural gas recovery, as determined by the TCEQ. For example, a generator used on a natural gas drill rig may qualify, but a tracked dozer used to build a road to a drill site would not.

- h. For on-road vehicles, the applicant must designate in the application the percentage of the annual mileage that will occur in the eligible counties listed above, which may not be less than 25 percent of the annual mileage. In addition to the percentage of annual miles in the eligible counties committed to by the applicant, the applicant must also commit to operating the vehicle at least 75 percent of the annual miles in a combination of the eligible counties and on one or more of the highways or roadways designated below.
 - 1) Interstate Highway 10 from the Texas/New Mexico border to the Texas/Louisiana border
 - 2) Interstate Highway 20 from Interstate Highway 10 to the Texas/Louisiana border
 - 3) Interstate Highway 30 from Rockwall County to the Texas/Louisiana border
 - 4) Interstate Highway 35 from the Texas/Mexico border to the Texas/Oklahoma border
 - 5) Interstate Highway 37 from the Gulf of Mexico to Bexar County
 - 6) Interstate Highway 45 from the Montgomery County to Ellis County
 - 7) U.S. Highway 59 from the Texas/Mexico border to the Texas/Arkansas border
 - 8) U.S. Highway 79 from the Williamson County to the Texas/Louisiana border
 - 9) U.S. Highway 281 from the Texas/Mexico border to the Texas/Oklahoma border
 - 10) U.S. Highway 77 from the Texas/Mexico border to Ellis County
 - 11) U.S. Highway 290 from the Interstate Highway 10 to Waller County

1.5 ELIGIBLE ACTIVITIES AND COSTS

Activities eligible for incentive funding are intended to reduce NO_x emissions in the designated eligible counties from on-road heavy-duty vehicles, non-road equipment, marine vessels, locomotives, or stationary engines, when compared with a baseline vehicle or piece of equipment. General information and criteria on eligible activities are available in the guidelines. This Request for Applications (RFA) may also contain additional requirements that apply to this application period. Potential applicants should review this RFA, the guidelines, and the application form instructions to determine if a proposed project is eligible.

Activities that may be eligible under this program are outlined below. Vehicles and equipment used primarily for competition or recreational purposes are not eligible for funding under any of the project categories.

Applications will not be accepted for an activity that was included in a project previously awarded a TERP grant and that was subsequently canceled by the grant recipient after the date of issuance of this Request for Applications.

An activity involving different emission sources (on-road, non-road, marine, locomotive, and stationary) may have different activity life requirements and cost per ton criteria. Therefore, for this application period, a project application may only include activities involving one type of emission source. Activities involving two different types of emission sources must be applied for under separate project applications. Please discuss any questions with the TCEQ TERP staff before submitting an application.

Subject to approval by the TCEQ, the limits on the cost per ton of NO_x reduced established below for activities involving different emission sources apply to the cost per ton of the overall project.

Individual activities under a project application may exceed the cost per ton limits, as long as the cost per ton of the overall project remains under the limits.

- a. On-Road Heavy-Duty Vehicles.** On-road heavy-duty vehicles with a gross vehicle weight rating (GVWR) of 8,500 lb or more are eligible for grants under this program.

There are specific requirements for the lease or purchase, replacement, repower, retrofit or addition of emission-reduction technology for On-Road Heavy-Duty Vehicles. Listed below is only a summary of eligible activities. For complete information, please refer to Appendix 1 of the guidelines.

- 1) Lease or Purchase of On-Road Heavy-Duty Vehicles
(Refer to Appendix 1 of the guidelines)

To be eligible for funding, the new vehicle must be certified to emit 25 percent less NO_x than required under the current federal standards. Certification means approved by the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB), or otherwise accepted by the TCEQ.

A *lease* is considered the use and control of a new on-road heavy-duty vehicle in accordance with a lease contract for the life of the activity. Note that this notice limits the activity life to a minimum of five years and that the lease period must extend for the activity life. The TCEQ will reimburse the incremental costs of the lease, not to exceed an incentive amount that results in a cost per ton of NO_x reduced of \$10,000 or less. The incremental costs are those costs that are above the costs that would otherwise have been paid for the lease of a baseline vehicle. The baseline vehicle used for determining the difference in cost must be a new vehicle certified to the current federal NO_x emission standards.

A *purchase* is considered buying a new on-road heavy-duty vehicle. The TCEQ will reimburse up to the incremental cost of the purchase, not to exceed an incentive amount that results in a cost per ton of NO_x reduced of \$10,000 or less. The incremental cost is the difference between the manufacturer's suggested retail price (MSRP), documented dealer price of a baseline vehicle, or other appropriate baseline cost established by the TCEQ and the actual cost of the cleaner vehicle. The baseline vehicle used for determining the difference in cost must be a new vehicle certified to the current federal NO_x emission standards.

- 2) Replacement of On-Road Heavy-Duty Vehicles
(Refer to Appendix 1 of the guidelines)

This category is for the replacement of an on-road heavy-duty vehicle with a new or newer on-road heavy-duty vehicle. For this category, the applicant must be replacing a vehicle with at least five years of remaining useful life. The baseline for comparison of emissions is the difference between the emissions of the vehicle being replaced and the emissions of the vehicle being purchased.

The replacement vehicle must be certified to emit at least 25 percent less NO_x than the vehicle being replaced. Certification means approved by the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB), or otherwise accepted by the TCEQ.

The replacement vehicle must be of the same vehicle type, weight category, and body and

axle configuration as the vehicle being replaced. The replacement vehicle must be configured and intended for use in the same application or vocation as the vehicle being replaced. The TCEQ may accept, case-by-case, vehicles of a different type, weight category, and/or body and axle configuration to account for the latest technology used for a specific vocation.

For a replacement project, the TCEQ will evaluate whether the vehicle being replaced would have otherwise been used in the eligible counties for the period within which the emission reductions will be claimed. Unless a waiver is granted by the TCEQ, the standards that apply include:

- a) the applicant's name must be listed as the owner on the front of the vehicle title;
- b) the applicant must have continuously owned the vehicle and have been listed as the owner on the title for a minimum of two years immediately preceding the submission of the grant application;
- c) unless otherwise approved by the TCEQ, the vehicle must currently be registered for operation in Texas in the applicant's name;
- d) the vehicle must have been continuously registered and used in Texas for the two years preceding the application date;
- e) the vehicle must be in good operating condition and capable of performing its primary function at the time the application is submitted; and
- f) the vehicle must have a current safety inspection (if a safety inspection is required for that vehicle and use) and must have continuously had an up-to-date safety inspection over the preceding two years.

Applicants must provide documentation with the application to show compliance with the ownership and registration requirements, including a copy of the vehicle title dated at least two years preceding the submission of the grant application and with the applicant's name listed as the owner and registration receipts for the previous two years. Lease-to-own agreements and other purchase agreements where the title is not transferred into the applicant's name are not considered ownership for purposes of meeting the two-year ownership requirement.

The TCEQ may waive the two-year ownership requirement, case-by-case, where the ownership of the company has changed, the assets of the company have been purchased by another company, or the company has changed names or incorporation status. The use or vocation of the vehicles or equipment being replaced may not have changed.

The TCEQ may waive the two-year registration requirement, case-by-case, for seasonal agricultural activities and other applications where seasonal on-road use is a standard practice of the industry. The historical usage provided by the applicant on the grant application forms must reflect the limited and intermittent use of the vehicle in those activities.

For on-road vehicles used exclusively for non-road purposes, the TCEQ may waive, case-by-case, the requirement that a vehicle have a current registration and safety inspection and that the vehicle have been continuously registered and had a safety inspection for the two years preceding the application date. The vehicle must not be subject to state vehicle registration and inspection requirements. The historical usage provided by the applicant on the grant application forms must be consistent with the non-road use of the vehicle. The applicant must provide sufficient documentation to show how the vehicle has been operated for the previous two years.

Eligible Costs

The grant recipient may be eligible for reimbursement of up to 80 percent of the eligible incremental costs associated with the purchase or lease of the replacement vehicle, not to exceed an incentive amount that results in a cost per ton of NO_x reduced of \$10,000 or less. The incremental cost is the cost to purchase the replacement vehicle minus the scrap value of the vehicle being replaced. For most on-road replacement projects, the TCEQ will establish a default scrap value of \$1,000. Eligible costs are listed below.

- a) Capital Costs - Equipment. Invoice cost or cash basis for the lease costs of the vehicle, including taxes, duty, protective in transit insurance, and freight charges.
 - b) Other - Global Positioning System (GPS). The costs to purchase and install a GPS to track and log the location and use of the vehicle may be included in the incremental costs. Ongoing operational and maintenance charges may not be included. The GPS system must be purchased from the vendor authorized by and contracted with the TCEQ to provide the system. Contact the TCEQ for information on the approved GPS provider.
- 3) Repower of On-Road Heavy-Duty Vehicles
(Refer to Appendix 1 of the guidelines)

This category is for the replacement (repower) of an existing engine on an on-road heavy-duty vehicle with a new, rebuilt, or remanufactured engine.

The engine must be certified to emit 25 percent less NO_x than the engine being replaced, based on the federal standard for that engine. Certification means approved by the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB), or otherwise accepted by the TCEQ.

Repowers resulting in any alteration from an original configuration of a vehicle or engine must comply with the provisions of EPA Memorandum 1A (Memo 1A), related to ensuring that altered vehicles and engines continue to meet required emission standards.

Eligible Costs

The grant recipient may be eligible for reimbursement of the incremental cost of the purchase and installation of the replacement engine, not to exceed an incentive amount that results in a cost per ton of NO_x reduced of \$10,000 or less. The incremental cost is the cost to purchase and install the replacement engine and associated equipment, minus the scrappage value or, if approved by TCEQ, the trade-in value of the old engine. Eligible costs are listed below.

- a) Capital Costs – Equipment and Installation
 - Invoice cost of the new engine, including taxes, duty, protective in-transit insurance, and freight charges.
 - Invoice cost of additional equipment with a per unit acquisition cost of \$5,000 or more and that is necessary for the completion of the repower project.
 - Installation costs, including the cost to remove and dispose of the old engine, if needed. Installation costs may include costs to re-engineer the vehicle for the new engine to fit. Technical design, testing, and other engineering services required as part of the installation work should also be listed under this subcategory.
- b) Supplies. Invoice cost of equipment and materials not included as part of the engine with an acquisition cost of less than \$5,000 that are necessary for the repower of the vehicle.

- c) Other - Global Positioning System (GPS). The costs to purchase and install a GPS to track and log the location and use of the vehicle may be included in the incremental costs. Ongoing operational and maintenance charges may not be included. The GPS must be purchased from the vendor authorized by and contracted with the TCEQ to provide the system. Contact the TCEQ for information on the approved GPS provider.
- 4) Retrofit or Add-On of Emission-Reduction Technology
(Refer to Appendix 1 of the guidelines)

This category is for the retrofit of an existing engine on an on-road heavy-duty vehicle, or adding on devices to the vehicle.

To be eligible for funding, the retrofit or add-on systems must be certified or verified to emit at least 25 percent less NO_x than engine prior to the retrofit or add-on. Certification or verification means approved by the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB), or otherwise accepted by the TCEQ.

Retrofits and add-on activities resulting in any alteration from an original configuration of a vehicle or engine must comply with the provisions of EPA Memorandum 1A (Memo 1A), related to ensuring that altered vehicles and engines continue to meet required emission standards. Importantly, aftermarket systems for converting a vehicle and engines to alternative fuel operation must comply with EPA certification requirements under Memo 1A.

Eligible Costs

The grant recipient may be eligible for reimbursement of the incremental cost of the purchase and installation of the retrofit and/or add-on technology, not to exceed an incentive amount that results in a cost per ton of NO_x reduced of \$10,000 or less. If the engine is to be rebuilt to install the emission-reduction devices, the incremental cost is the difference between the cost of rebuilding the existing engine and the cost of rebuilding the engine to include the retrofit or add-on technology. If the engine does not need to be rebuilt in conjunction with installing the new technology, then the incremental cost will be the full cost of purchasing and installing the technology. Eligible costs are listed below.

- a) Capital Costs – Equipment and Installation
- Invoice cost of the retrofit equipment, including taxes, duty, protective in-transit insurance, and freight charges.
 - Invoice cost of additional equipment with a per unit acquisition cost of \$5,000 or more and that is necessary for the completion of the retrofit project.
 - Installation costs. Installation costs may include costs to re-engineer the vehicle for the retrofit system to fit. Technical design, testing, and other engineering services required as part of the installation work should also be listed under this subcategory.
- b) Supplies. Invoice cost of equipment and materials not included as part of the retrofit system itself with an acquisition cost of less than \$5,000 that are necessary for the retrofit of the vehicle.
- c) Other - Global Positioning System (GPS). The costs to purchase and install a GPS to track and log the location and use of the vehicle may be included in the incremental costs. Ongoing operational and maintenance charges may not be included. The GPS must be purchased from the vendor authorized by and contracted with the TCEQ to provide the system. Contact the TCEQ for information on the approved GPS provider.

- b. Non-Road Equipment.** Non-road equipment powered by an engine 25 horsepower (hp) or greater are eligible for grants under this program. For replacement and repower projects, this requirement refers to the horsepower of the engine being replaced and does not apply to the replacement engine or technology.

There are specific requirements for the lease or purchase, replacement, repower, retrofit or addition of emission-reduction technology of Non-Road Equipment. Listed below is only a summary of eligible activities. For complete information, please refer to Appendix 2 of the guidelines.

- 1) Lease or Purchase of Non-Road Equipment
(Refer to Appendix 2 of the guidelines)

To be eligible for funding, the engine on the new piece of equipment must be certified to emit at least 25 percent less NO_x than required under the current federal standard for that horsepower of a non-road engine. Certification means approved by the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB), or otherwise accepted by the TCEQ.

A *lease* is considered the use and control of a new piece of non-road equipment in accordance with a lease contract for the life of the activity. Note that this notice limits the activity life to a minimum of five years and that the lease period must extend for the activity life. The TCEQ will reimburse the incremental costs of the lease, not to exceed an incentive amount that results in a cost per ton of NO_x reduced of \$10,000 or less. The incremental costs are those costs that are above and beyond the costs that would otherwise have been paid for the lease of a baseline vehicle. The baseline equipment used for determining the difference in cost must be new equipment certified to the current federal NO_x emission standards.

A *purchase* is considered buying a new piece of non-road equipment. The TCEQ will reimburse the incremental cost of the purchase, not to exceed an incentive amount that results in a cost per ton of NO_x reduced of \$10,000 or less. The incremental cost is the difference between the documented dealer price of a baseline piece of equipment or other appropriate baseline cost established by the TCEQ and the actual cost of the cleaner equipment. The baseline equipment used for determining the difference in cost must be new equipment certified to the current federal NO_x emission standards.

- 2) Replacement of Non-Road Equipment
(Refer to Appendix 2 of the guidelines)

This category is for the replacement of non-road equipment with a new or newer piece of non-road equipment. For this category, the applicant must be replacing a piece of equipment with at least 5 years of remaining useful life. The baseline for comparison of emissions is the difference between the emissions of the equipment being replaced and the emissions of the equipment being purchased.

The engine on the replacement equipment must be certified to emit at least 25 percent less NO_x than the engine being replaced. Certification means approved by the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB), or otherwise accepted by the TCEQ.

The replacement equipment must be of the same equipment type and intended for the same or similar purpose as the equipment being replaced.

For a replacement project, the TCEQ will evaluate whether the equipment being replaced would have otherwise been used in the eligible counties for the period within which the emissions reductions will be claimed. Standards that apply include:

- a) the applicant must have continuously owned the equipment for a minimum of two years immediately preceding the submission of the grant application;
- b) unless otherwise approved by the TCEQ, the equipment must have been continuously located and used in Texas for the two years preceding the grant application period; and
- c) the equipment must be in good operating condition and capable of performing its primary function at the time the application is submitted.

The TCEQ may waive the two-year ownership requirement on a case-by-case basis in instances where the ownership of the company has changed, the assets of the company have been purchased by another company, or the company has changed names or incorporation status. The use of the vehicles or equipment being replaced may not have changed. The TCEQ may accept, case-by-case, equipment of a different type to account for the latest technology used for a specific vocation.

Eligible Costs

The grant recipient may be eligible for reimbursement of up to 80 percent of the eligible incremental costs associated with the purchase or lease of the replacement equipment, not to exceed an incentive amount that results in a cost per ton of NO_x reduced of \$10,000 or less. The incremental cost is the cost to purchase the replacement equipment minus the scrap value of the equipment being replaced. For most non-road replacement projects, the TCEQ will establish a default scrap value of \$1,000. Eligible costs are listed below.

- a) Capital Costs - Equipment. Invoice cost or cash basis for the lease costs of the equipment, including taxes, duty, protective in transit insurance, and freight charges. Costs should not include the cost of non-permanent attachments to the equipment that are not directly related to the primary purpose of the equipment. For example, the cost of a bucket for an excavator may be included, but the cost of an optional loader bucket on an agricultural tractor should not be included.
 - b) Other - Global Positioning System (GPS). The costs to purchase and install a GPS to track and log the location and use of the equipment may be included in the incremental costs. Ongoing operational and maintenance charges may not be included. The GPS system must be purchased from the vendor authorized by and contracted with the TCEQ to provide the system. Contact the TCEQ for information on the approved GPS provider.
- 3) Repower of Non-Road Equipment
(Refer to Appendix 2 of the guidelines)

This category is for the replacement of an existing engine on a non-road piece of equipment with a new, rebuilt, or remanufactured engine.

The engine must be certified to emit at least 25 percent less NO_x than the engine being replaced. Certification means approved by the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB), or otherwise accepted by the TCEQ.

Subject to approval of the TCEQ, a non-road engine emissions upgrade rebuild kit verified by the EPA or CARB to result in a reduction in NO_x emissions of at least 25 percent may be considered a repower. The upgrade system must be installed in accordance with the specifications of the EPA or CARB verification and in accordance with the system manufacturer's requirements. A label or other identification markings must be affixed to the upgraded engine signifying that the kit has been installed and indicating the emissions rate or percentage reduction in emissions from the original baseline engine to which the upgraded engine is now verified.

Eligible rebuilt or remanufactured engines must use original engine manufacturer (OEM) components only and be purchased from the OEM or its authorized dealers/distributors. The TCEQ may accept engines provided by other entities, not connected with the OEM, subject to a case-by-case determination.

Eligible Costs

The grant recipient may be eligible for reimbursement of the incremental cost of the purchase and installation of the replacement engine, not to exceed an incentive amount that results in a cost per ton of NO_x reduced of \$10,000 or less. The incremental cost is the cost to purchase and install the replacement engine and associated equipment, minus the scrappage value or, if approved by TCEQ, the trade-in value of the old engine. Eligible costs are listed below.

- a) Capital Costs – Equipment and Installation
 - Invoice cost of the new engine, including taxes, duty, protective in-transit insurance, and freight charges.
 - Invoice cost of additional equipment with a per unit acquisition cost of \$5,000 or more and that is necessary for the completion of the repower project.
 - Installation costs, including the cost to remove and dispose of the old engine, if needed. Installation costs may include costs to re-engineer the equipment for the new engine to fit. Technical design, testing, and other engineering services required as part of the installation work should also be listed under this subcategory.
 - b) Supplies. Invoice cost of equipment and materials not included as part of the engine with an acquisition cost of less than \$5,000 that are necessary for the repower of the equipment.
 - c) Other - Global Positioning System (GPS). The costs to purchase and install a GPS to track and log the location and use of the equipment may be included in the incremental costs. Ongoing operational and maintenance charges may not be included. The GPS must be purchased from the vendor authorized by and contracted with the TCEQ to provide the system. Contact the TCEQ for information on the approved GPS provider.
- 4) Retrofit or Add-On of Emission-Reduction Technology
(Refer to Appendix 2 of the guidelines)

This category is for the retrofit of an existing engine on non-road piece of equipment, or adding on devices to the equipment.

To be eligible for funding, the retrofit or add-on systems must be certified or verified to emit at least 25 percent less NO_x than engine prior to the retrofit or add-on. Certification means approved by the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB), or otherwise accepted by the TCEQ.

Eligible Costs

The grant recipient may be eligible for reimbursement of the incremental cost of the purchase and installation of the retrofit and/or add-on technology, not to exceed an incentive amount that results in a cost per ton of NO_x reduced of \$10,000 or less. If the engine is to be rebuilt to install the emission-reduction devices, the incremental cost is the difference between the cost of rebuilding the existing engine and the cost of rebuilding the engine to include the retrofit or add-on technology. If the engine does not need to be rebuilt in conjunction with installing the new technology, then the incremental cost will be the full cost of purchasing and installing the technology. Eligible costs are listed below.

- a) Capital Costs – Equipment and Installation
 - Invoice cost of the retrofit equipment, including taxes, duty, protective in-transit insurance, and freight charges.
 - Invoice cost of additional equipment with a per unit acquisition cost of \$5,000 or more and that is necessary for the completion of the retrofit project.
 - Installation costs. Installation costs may include costs to re-engineer the equipment for the retrofit system to fit. Technical design, testing, and other engineering services required as part of the installation work should also be listed under this subcategory.
 - b) Supplies. Invoice cost of equipment and materials not included as part of the retrofit system itself with an acquisition cost of less than \$5,000 that are necessary for the retrofit of the equipment.
 - c) Other - Global Positioning System (GPS). The costs to purchase and install a GPS to track and log the location and use of the equipment may be included in the incremental costs. Ongoing operational and maintenance charges may not be included. The GPS must be purchased from the vendor authorized by and contracted with the TCEQ to provide the system. Contact the TCEQ for information on the approved GPS provider.
- c. Marine Vessels.** Marine vessels powered by engines of at least 25 horsepower (hp), and associated auxiliary marine engines of at least 25 hp, are eligible for grants under this program. For replacement and repower projects, the requirement refers to the horsepower the engine being replaced and does not apply to the replacement engine or technology.

There are specific requirements for the lease or purchase, replacement, repower, retrofit or add-on of emission-reduction technology for Marine Vessels. Listed below is only a summary of eligible activities. For complete information, please refer to Appendix 3 of the guidelines.

- 1) Lease or Purchase of Marine Vessels
(Refer to Appendix 3 of the guidelines)

To be eligible for funding, the engine on the new piece of equipment must be certified to emit at least 25 percent less NO_x emissions than required under the current standard for that engine. Certification means approved by the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB), or otherwise accepted by the TCEQ.

A *lease* is considered the use and control of a new marine vessel in accordance with a lease contract for the life of the activity. Note that this notice limits the activity life to a minimum of five years and that the lease period must extend for the activity life. The TCEQ will reimburse the incremental costs of the lease, not to exceed an incentive amount that results in a cost per ton of NO_x reduced of \$5,000 or less. The incremental costs are those costs that are

above and beyond the costs that would otherwise have been paid for the lease of a baseline vessel. The baseline vessel used for determining the difference in cost must be a new vessel certified to the current federal NO_x emission standards.

A *purchase* is considered buying a new marine vessel. The TCEQ will reimburse the incremental cost of the purchase, not to exceed an incentive amount that results in a cost per ton of NO_x reduced of \$5,000 or less. The incremental cost is the difference between the documented dealer price of a baseline vessel or other appropriate baseline cost established by the TCEQ and the actual cost of the cleaner vessel. The baseline vessel used for determining the difference in cost must be a new vessel certified to the current federal NO_x emission standards.

2) Replacement of Marine Vessels
(Refer to Appendix 3 of the guidelines)

This category is for the replacement of marine vessels with a new or newer marine vessel. For this category, the applicant must be replacing a vessel with at least five years of remaining useful life. The baseline for comparison of emissions is the difference between the emissions standard (or in some cases, the certified emissions level) for the engine(s) on the vessel being replaced and the certified emissions level of the engine(s) installed on the vessel being purchased.

The combined NO_x emissions of the engines on the replacement vessel must be certified to be at least 25 percent less than the combined NO_x emissions of the engines on the vessel being replaced, based on the emissions standard for those engines. Certification means approved by the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB), or otherwise accepted by the TCEQ.

The replacement vessel must be intended for the same or similar purpose as the vessel being replaced. The TCEQ may accept, case-by-case, vessels of a different type to account for the latest technology used for a specific vocation.

For a replacement project, the TCEQ will evaluate whether the vessel being replaced would have otherwise been used in waterways adjacent to the eligible counties for the period within which the emissions reductions will be claimed. Standards that apply include:

- a) the applicant must have owned the vessel continuously for a minimum of two years immediately preceding the submission of the grant application;
- b) unless otherwise approved by the TCEQ, the vessel must have been continuously located and used in Texas for the two years preceding the submission of the grant application;
- c) the vessel must currently be registered for operation in Texas in the applicant's name; and
- d) the vessel must be in good operating condition and capable of performing its primary function at the time the application is submitted.

The TCEQ may waive the two-year ownership requirement on a case-by-case basis in instances where the ownership of the company has changed, the assets of the company have been purchased by another company, or the company has changed names or incorporation status. The use of the vehicles or equipment being replaced may not have changed.

Eligible Costs

The grant recipient may be eligible for reimbursement of up to 80 percent of the eligible incremental costs associated with the purchase or lease of the replacement marine vessel, not to exceed an incentive amount that results in a cost per ton of NO_x reduced of \$5,000 or less.

The incremental cost is the cost to purchase the replacement marine vessel minus the scrap value of the marine vessel being replaced. Eligible costs are listed below.

- a) Capital Costs - Equipment. Invoice cost or cash basis for the lease costs of the marine vessel, including taxes, duty, protective in transit insurance, and freight charges.
- b) Other - Global Positioning System (GPS). The costs to purchase and install a GPS to track and log the location and use of the marine vessel may be included in the incremental costs. Ongoing operational and maintenance charges may not be included. The GPS system must be purchased from the vendor authorized by and contracted with the TCEQ to provide the system. Contact the TCEQ for information on the approved GPS provider.

3) Repower of Marine Vessels (Refer to Appendix 3 of the guidelines)

This category is for the replacement of an existing engine on a marine vessel with a new, rebuilt, or remanufactured engine.

The engine must be certified to emit at least 25 percent less NO_x emissions than the engine being replaced, based on the standard for that engine. Certification means approved by the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB), or otherwise accepted by the TCEQ.

If the engine being installed is rebuilt or remanufactured, the engine must have been certified to emit at least 25 percent less NO_x emissions than the standard for the engine being replaced. Certification means approved by the EPA, the CARB, or otherwise accepted by the TCEQ.

Subject to approval by the TCEQ, a marine engine low-NO_x rebuild kit that results in a new engine family code or test group number being assigned by the EPA and a new emissions information label being affixed to the rebuilt engine will be considered a repower and should be applied for under the repower category.

Eligible rebuilt or remanufactured engines must use original engine manufacturer (OEM) components only and be purchased from the OEM or its authorized dealers/distributors. The TCEQ may accept engines provided by other entities, not connected with the OEM, subject to a case-by-case determination.

Eligible Costs

The grant recipient may be eligible for reimbursement of the incremental cost of the purchase and installation of the replacement engine, not to exceed an incentive amount that results in a cost per ton of NO_x reduced of \$5,000 or less. The incremental cost is the cost to purchase and install the replacement engine and associated equipment, minus the scrappage value or, if approved by TCEQ, the trade-in value of the old engine. Eligible costs are listed below.

- a) Capital Costs – Equipment and Installation
 - Invoice cost of the new engine, including taxes, duty, protective in-transit insurance, and freight charges.
 - Invoice cost of additional equipment with a per unit acquisition cost of \$5,000 or more and that is necessary for the completion of the repower project.
 - Installation costs, including the cost to remove and dispose of the old engine, if needed. Installation costs may include costs to re-engineer the marine vessel for the new engine to fit. Technical design, testing, and other engineering services required as part of the installation work should also be listed under this subcategory.
 - b) Supplies. Invoice cost of equipment and materials not included as part of the engine with an acquisition cost of less than \$5,000 that are necessary for the repower of the marine vessel.
 - c) Other - Global Positioning System (GPS). The costs to purchase and install a GPS to track and log the location and use of the marine vessel may be included in the incremental costs. Ongoing operational and maintenance charges may not be included. The GPS must be purchased from the vendor authorized by and contracted with the TCEQ to provide the system. Contact the TCEQ for information on the approved GPS provider.
- 4) Retrofit or Add-On of Emission-Reduction Technology
(Refer to Appendix 3 of the guidelines)

This category is for the retrofit of an existing engine on marine vessel, or adding on devices to the vessel.

To be eligible for funding, the retrofit or add-on systems must be certified or verified to emit at least 25 percent less NO_x emissions than engine(s) prior to the retrofit or add-on. Certification means approved by the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB), or otherwise accepted by the TCEQ.

Eligible Costs

The grant recipient may be eligible for reimbursement of the incremental cost of the purchase and installation of the retrofit and/or add-on technology, not to exceed an incentive amount that results in a cost per ton of NO_x reduced of \$5,000 or less. If the engine is to be rebuilt to install the emission-reduction devices, the incremental cost is the difference between the cost of rebuilding the existing engine and the cost of rebuilding the engine to include the retrofit or add-on technology. If the engine does not need to be rebuilt in conjunction with installing the new technology, then the incremental cost will be the full cost of purchasing and installing the technology. Eligible costs are listed below.

- a) Capital Costs – Equipment and Installation
 - Invoice cost of the retrofit equipment, including taxes, duty, protective in-transit insurance, and freight charges.
 - Invoice cost of additional equipment with a per unit acquisition cost of \$5,000 or more and that is necessary for the completion of the retrofit project.
 - Installation costs. Installation costs may include costs to re-engineer the marine vessel for the retrofit system to fit. Technical design, testing, and other engineering services required as part of the installation work should also be listed under this subcategory.

- b) Supplies. Invoice cost of equipment and materials not included as part of the retrofit system itself with an acquisition cost of less than \$5,000 that are necessary for the retrofit of the equipment.
 - c) Other - Global Positioning System (GPS). The costs to purchase and install a GPS to track and log the location and use of the marine vessel may be included in the incremental costs. Ongoing operational and maintenance charges may not be included. The GPS must be purchased from the vendor authorized by and contracted with the TCEQ to provide the system. Contact the TCEQ for information on the approved GPS provider.
- d. Locomotives.** Most of the engines eligible under this program will be powered by diesel-fueled compression-ignition engines. However, engines powered by other fuels may also be eligible, subject to decisions by the TCEQ for particular funding periods.

There are specific requirements for the lease or purchase, replacement, repower, retrofit or add-on of emission-reduction technology for Locomotives. Listed below is only a summary of eligible activities. For complete information, please refer to Appendix 4 of the guidelines.

- 1) Lease or Purchase of Locomotives
(Refer to Appendix 4 of the guidelines)

To be eligible for funding, the engine on the new locomotive must be certified to emit at least 25 percent less NO_x emissions than required under the current federal standard for that engine. Certification means approved by the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB), or otherwise accepted by the TCEQ.

A *lease* is considered the use and control of a new locomotive in accordance with a lease contract for the life of the activity. Note that this notice limits the activity life to a minimum of five years and that the lease period must extend for the activity life. The TCEQ will reimburse the incremental costs of the lease, not to exceed an incentive amount that results in a cost per ton of NO_x reduced of \$5,000 or less. The incremental costs are those costs that are above and beyond the costs that would otherwise have been paid for the lease of a baseline locomotive. The baseline locomotive used for determining the difference in cost must be a new locomotive certified to the current federal NO_x emission standards.

A *purchase* is considered buying a new locomotive. The TCEQ will reimburse the incremental cost of the purchase, not to exceed an incentive amount that results in a cost per ton of NO_x reduced of \$5,000 or less. The incremental cost is the difference between the documented dealer price of a baseline locomotive or other appropriate baseline cost established by the TCEQ and the actual cost of the cleaner locomotive. The baseline locomotive used for determining the difference in cost must be a new locomotive certified to the current federal NO_x emission standards.

The EPA has defined a “new” locomotive to mean a freshly manufactured or remanufactured locomotive. The EPA defined “remanufacture” of a locomotive as a process in which all of the power assemblies of a locomotive engine are replaced with freshly manufactured (containing no previously used parts) or reconditioned power assemblies. The TCEQ will make the determination regarding the applicability of a baseline new locomotive.

2) Replacement of Locomotives
(Refer to Appendix 4 of the guidelines)

This category is for the replacement of a locomotive with a new or newer locomotive. For this category, the applicant must be replacing a locomotive with at least five years of remaining useful life. The baseline for comparison is the emissions of the locomotive being replaced and the emissions of the locomotive being purchased.

The engine must be certified to emit at least 25 percent less NO_x than the engine being replaced, based on the federal standard for that engine. Certification means approved by the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB), or otherwise accepted by the TCEQ.

The replacement locomotive must be of the same locomotive type and be intended for the same or similar purpose as the locomotive being replaced. The TCEQ may accept, case-by-case, locomotives of a different type to account for the latest technology used for a specific vocation.

For a replacement project, the TCEQ will evaluate whether the locomotive being replaced would have otherwise been used in the eligible counties for the period within which the emission reductions will be claimed. Standards that apply include:

- a) the applicant must have continuously owned the locomotive for a minimum of two years immediately preceding the submission of the grant application;
- b) unless otherwise approved by the TCEQ, the locomotive must have been continuously located and used in Texas for the two years preceding the submission of the grant application; and
- c) the locomotive must be in good operating condition and capable of performing its primary function at the time the application is submitted.

The TCEQ may waive the two-year ownership requirement on a case-by-case basis in instances where the ownership of the company has changed, the assets of the company have been purchased by another company, or the company has changed names or incorporation status. The use of the vehicles or equipment being replaced may not have changed.

Eligible Costs

The grant recipient may be eligible for reimbursement of up to 80 percent of the eligible incremental costs associated with the purchase or lease of the replacement locomotive, not to exceed an incentive amount that results in a cost per ton of NO_x reduced of \$5,000 or less. The incremental cost is the cost to purchase the replacement locomotive minus the scrap value of the locomotive being replaced. Eligible costs are listed below.

- a) Capital Costs - Equipment. Invoice cost or cash basis for the lease costs of the locomotive, including taxes, duty, protective in transit insurance, and freight charges.
- b) Other - Global Positioning System (GPS). The costs to purchase and install a GPS to track and log the location and use of the locomotive may be included in the incremental costs. Ongoing operational and maintenance charges may not be included. The GPS system must be purchased from the vendor authorized by and contracted with the TCEQ to provide the system. Contact the TCEQ for information on the approved GPS provider.

3) Repower of Locomotives
(Refer to Appendix 4 of the guidelines)

This category is for the replacement of an existing engine on a locomotive with a new, rebuilt, or remanufactured engine.

The engine must be certified to emit at least 25 percent less NO_x than the engine being replaced, based on the federal standard for that engine. Certification means approved by the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB), or otherwise accepted by the TCEQ.

Subject to approval by the TCEQ, a locomotive engine low-NO_x rebuild kit that results in a new engine family code or test group number being assigned by the EPA and a new emissions information label being affixed to the rebuilt engine will be considered a repower and should be applied for under the repower category.

Eligible rebuilt or remanufactured engines must use original engine manufacturer (OEM) components only and be purchased from the OEM or its authorized dealers/distributors. The TCEQ may accept engines provided by other entities, not connected with the OEM, subject to a case-by-case determination.

Eligible Costs

The grant recipient may be eligible for reimbursement of the incremental cost of the purchase and installation of the replacement engine, not to exceed an incentive amount that results in a cost per ton of NO_x reduced of \$5,000 or less. The incremental cost is the cost to purchase and install the replacement engine and associated equipment, minus the scrappage value or, if approved by TCEQ, the trade-in value of the old engine. Eligible costs are listed below.

- a) Capital Costs – Equipment and Installation
 - Invoice cost of the new engine, including taxes, duty, protective in-transit insurance, and freight charges.
 - Invoice cost of additional equipment with a per unit acquisition cost of \$5,000 or more and that is necessary for the completion of the repower project.
 - Installation costs, including the cost to remove and dispose of the old engine, if needed. Installation costs may include costs to re-engineer the locomotive for the new engine to fit. Technical design, testing, and other engineering services required as part of the installation work should also be listed under this subcategory.
- b) Supplies. Invoice cost of equipment and materials not included as part of the engine with an acquisition cost of less than \$5,000 that are necessary for the repower of the marine vessel.
- c) Other - Global Positioning System (GPS). The costs to purchase and install a GPS to track and log the location and use of the locomotive may be included in the incremental costs. Ongoing operational and maintenance charges may not be included. The GPS must be purchased from the vendor authorized by and contracted with the TCEQ to provide the system. Contact the TCEQ for information on the approved GPS provider.

4) Retrofit or Add-On of Emission-Reduction Technology
(Refer to Appendix 4 of the guidelines)

This category is for the retrofit of an existing engine on a locomotive, or adding on devices to the locomotive.

To be eligible for funding, the retrofit or add-on systems must be certified or verified to emit at least 25 percent less NO_x than engine prior to the retrofit or add-on. Certification means approved by the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB), or otherwise accepted by the TCEQ.

Eligible Costs

The grant recipient may be eligible for reimbursement of the incremental cost of the purchase and installation of the retrofit and/or add-on technology, not to exceed an incentive amount that results in a cost per ton of NO_x reduced of \$5,000 or less. If the engine is to be rebuilt to install the emission-reduction devices, the incremental cost is the difference between the cost of rebuilding the existing engine and the cost of rebuilding the engine to include the retrofit or add-on technology. If the engine does not need to be rebuilt in conjunction with installing the new technology, then the incremental cost will be the full cost of purchasing and installing the technology. Eligible costs are listed below.

- a) Capital Costs – Equipment and Installation
 - Invoice cost of the retrofit equipment, including taxes, duty, protective in-transit insurance, and freight charges.
 - Invoice cost of additional equipment with a per unit acquisition cost of \$5,000 or more and that is necessary for the completion of the retrofit project.
 - Installation costs. Installation costs may include costs to re-engineer the locomotive for the retrofit system to fit. Technical design, testing, and other engineering services required as part of the installation work should also be listed under this subcategory.
 - b) Supplies. Invoice cost of equipment and materials not included as part of the retrofit system itself with an acquisition cost of less than \$5,000 that are necessary for the retrofit of the equipment.
 - c) Other - Global Positioning System (GPS). The costs to purchase and install a GPS to track and log the location and use of the locomotive may be included in the incremental costs. Ongoing operational and maintenance charges may not be included. The GPS must be purchased from the vendor authorized by and contracted with the TCEQ to provide the system. Contact the TCEQ for information on the approved GPS provider.
- e. **Stationary Equipment.** Activities involving stationary engines of at least 25 hp are eligible for grants under this program. For replacement and repower projects, this requirement refers to the horsepower of the engine being replaced and does not apply to the replacement engine or technology.

Because of the wide variety of regulatory and permitting requirements that may apply to the emissions from stationary equipment and engines, potential applicants, as well as dealers and suppliers of stationary equipment and engines, should contact the TCEQ early in the process to determine if a project is eligible for funding. As a general rule, stationary equipment and engines used in agricultural applications are exempt from regulatory and permitting requirements pertaining to emissions. Other stationary equipment may need to be evaluated for eligibility by the TCEQ on a case-by-case basis. In some cases, where the regulatory or permitting requirements are unclear, the TCEQ may need to consider a project ineligible until the requirements are fully understood.

There are specific requirements for the lease or purchase, replacement, repower, retrofit or add-on of emission-reduction technology for Stationary Equipment. Listed below is only a summary of eligible activities. For complete information, please refer to Appendix 5 of the guidelines.

1) Lease or Purchase of Stationary Equipment
(Refer to Appendix 5 of the guidelines)

To be eligible for funding, the engine on the new piece of equipment must be certified to emit at least 25 percent less NO_x than required under the current standard for that horsepower of engine. Certification means approved by the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB), or otherwise accepted by the TCEQ.

A *lease* is considered the use and control of a new piece of equipment in accordance with a lease contract for the life of the activity. Note that this notice limits the activity life to a minimum of five years and that the lease period must extend for the activity life. The TCEQ will reimburse the incremental costs of the lease, not to exceed an incentive amount that results in a cost per ton of NO_x reduced of \$10,000 or less. The incremental costs are those costs that are above and beyond the costs that would otherwise have been paid for the lease of baseline equipment. The baseline equipment used for determining the difference in cost must be new equipment certified to the current federal NO_x emission standards.

A *purchase* is considered buying a new piece of equipment. The TCEQ will reimburse the incremental cost of the purchase, not to exceed an incentive amount that results in a cost per ton of NO_x reduced of \$10,000 or less. The incremental cost is the difference between the documented dealer price of a baseline piece of equipment or other appropriate baseline cost established by the TCEQ and the actual cost of the cleaner equipment. The baseline equipment used for determining the difference in cost must be new equipment certified to the current federal NO_x emission standards.

2) Replacement of Stationary Equipment
(Refer to Appendix 5 of the guidelines)

This category is for the replacement of stationary equipment with a new or newer piece of equipment. For this category, the applicant must be replacing a piece of equipment with at least five years of remaining useful life. The baseline for comparison of emissions is the difference between the emissions of the equipment being replaced and the equipment being purchased.

The engine on the replacement equipment must be certified to emit at least 25 percent less NO_x than the engine being replaced. Certification means approved by the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB), or otherwise accepted by the TCEQ.

The replacement equipment must be of the same equipment type and intended for the same or similar purpose as the equipment being replaced. The TCEQ may accept, case-by-case, equipment of a different type to account for the latest technology used for a specific vocation.

For a replacement project, the TCEQ will evaluate whether the equipment being replaced would have otherwise been used in the eligible counties for the period within which the emissions reductions will be claimed. Standards that apply include:

- a) the applicant must have continuously owned the equipment for a minimum of two years immediately preceding the submission of the grant application;
- b) unless otherwise approved by the TCEQ, the equipment must have been continuously located and used in Texas for the two years preceding the submission of the grant application; and
- c) the equipment must be in good operating condition and capable of performing its primary function at the time the application is submitted.

The TCEQ may waive the two-year ownership requirement on a case-by-case basis in instances where the ownership of the company has changed, the assets of the company have been purchased by another company, or the company has changed names or incorporation status. The use of the vehicles or equipment being replaced may not have changed.

Eligible Costs

The grant recipient may be eligible for reimbursement of the incremental cost of the purchase and installation of the replacement engine, not to exceed an incentive amount that results in a cost per ton of NO_x reduced of \$10,000 or less. The incremental cost is the cost to purchase and install the replacement engine and associated equipment, minus the scrappage value or, if approved by TCEQ, the trade-in value of the old engine. Eligible costs are listed below.

- a) Capital Costs - Equipment. Invoice cost or cash basis for the lease costs of the equipment, including taxes, duty, protective in transit insurance, and freight charges.
- 3) Repower of Stationary Equipment
(Refer to Appendix 5 of the guidelines)

This category is for the replacement of an existing engine on a piece of stationary equipment with a new, rebuilt, or remanufactured engine.

The engine must be certified to emit at least 25 percent less NO_x than the engine being replaced, based on the federal standard for that engine. Certification means approved by the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB), or otherwise accepted by the TCEQ.

Eligible rebuilt or remanufactured engines must use original engine manufacturer (OEM) components only and be purchased from the OEM or its authorized dealers/distributors. The TCEQ may accept engines provided by other entities, not connected with the OEM, subject to a case-by-case determination.

Eligible Costs

The grant recipient may be eligible for reimbursement of the incremental cost of the purchase and installation of the replacement engine, not to exceed an incentive amount that results in a cost per ton of NO_x reduced of \$10,000 or less. The incremental cost is the cost to purchase and install the replacement engine and associated equipment, minus the scrappage value or, if approved by TCEQ, the trade-in value of the old engine. Eligible costs are listed below.

- a) Capital Costs – Equipment and Installation
 - Invoice cost of the new engine, including taxes, duty, protective in-transit insurance, and freight charges.
 - Invoice cost of additional equipment with a per unit acquisition cost of \$5,000 or more and that is necessary for the completion of the repower project.
 - Installation costs, including the cost to remove and dispose of the old engine, if needed. Installation costs may include costs to re-engineer the equipment for the new engine to fit. Technical design, testing, and other engineering services required as part of the installation work should also be listed under this subcategory.
- b) Supplies. Invoice cost of equipment and materials not included as part of the engine with an acquisition cost of less than \$5,000 that are necessary for the repower of the equipment.

4) Retrofit or Add-On of Emission-Reduction Technology (Refer to Appendix 5 of the guidelines)

This category is for the retrofit of an existing engine on a stationary piece of equipment, or adding on devices to the equipment.

To be eligible for funding, the retrofit or add-on systems must be certified or verified to emit at least 25 percent less NO_x emissions than engine prior to the retrofit or add-on. Certification means approved by the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB), or otherwise accepted by the TCEQ.

Eligible Costs

The grant recipient may be eligible for reimbursement of the incremental cost of the purchase and installation of the retrofit and/or add-on technology, not to exceed an incentive amount that results in a cost per ton of NO_x reduced of \$10,000 or less. If the engine is to be rebuilt to install the emission-reduction devices, the incremental cost is the difference between the cost of rebuilding the existing engine and the cost of rebuilding the engine to include the retrofit or add-on technology. If the engine does not need to be rebuilt in conjunction with installing the new technology, then the incremental cost will be the full cost of purchasing and installing the technology. Eligible costs are listed below.

- a) Capital Costs – Equipment and Installation
 - Invoice cost of the retrofit equipment, including taxes, duty, protective in-transit insurance, and freight charges.
 - Invoice cost of additional equipment with a per unit acquisition cost of \$5,000 or more and that is necessary for the completion of the retrofit project.

- Installation costs. Installation costs may include costs to re-engineer the equipment for the retrofit system to fit. Technical design, testing, and other engineering services required as part of the installation work should also be listed under this subcategory.
 - b) Supplies. Invoice cost of equipment and materials not included as part of the retrofit system itself with an acquisition cost of less than \$5,000 that are necessary for the retrofit of the equipment.
- f. Refueling Infrastructure.** An eligible activity may include the purchase and installation of stationary or mobile on-site infrastructure for refueling motor vehicles, on-road heavy-duty vehicles, and non-road equipment, including marine vessels and locomotives, with a qualifying liquid or gaseous fuel. In some cases, the TCEQ may accept applications for refueling infrastructure related to stationary equipment. The applicant will need to provide information to show that the infrastructure is needed and will be used in an eligible county.

A qualifying fuel is a liquid or gaseous fuel or additive other than standard diesel fuel or gasoline that is ultimately dispensed into a motor vehicle, on-road heavy-duty vehicle, non-road equipment, locomotive, marine vessel, or stationary engine that provides reductions of nitrogen oxides (NO_x) emissions, as determined by the TCEQ, beyond reductions required by state or federal law.

In the application, the applicant will be required to show how a new NO_x emissions reduction will result from the installation and use of the infrastructure. The NO_x emissions reductions must be quantifiable, enforceable, and achieved over the activity life of the project.

The NO_x emissions reductions may be based on the use of a fuel or fuel additive, the purchase and use of an alternative fuel vehicle or equipment, or an upgrade or conversion of vehicles or equipment. Emissions reductions attributable to the use of the infrastructure may be determined under several different approaches, as explained below.

- 1) Use of a verified fuel or fuel additive. If the use of the fuel or fuel additive itself will achieve the emissions reductions, the fuel or fuel additive must be verified by the EPA to result in a reduction in NO_x emissions when used in lieu of the baseline fuel or the baseline fuel without the additive.
- 2) Fleet expansion. The TCEQ may accept NO_x emissions reductions based on fleet expansions through the purchase and use of vehicles or equipment to be fueled by the infrastructure and that are certified to a NO_x emissions rate that is less than the federal standard applicable to that vehicle and/or engine. In general the baseline for comparison for natural gas engines certified under the federal diesel-cycle will be the standard applicable to diesel engines. Similarly, for engines certified under the otto-cycle standard, the baseline for comparison will be the federal otto-cycle standard applicable to that type of engine. If the applicant is not also applying for funds for the fleet expansion activities, the applicant will need to include the applicable forms for the new purchase or lease category for that type of vehicle or equipment. The vehicle or equipment may not have been purchased prior to 12 months prior to the end date of the application period.
- 3) Replacements or upgrades. The TCEQ may accept NO_x emissions reductions based on the replacement or repower of conventionally-fueled vehicles or equipment with new or newer alternative-fueled vehicles, equipment, or engines to be provided fuel from the refueling infrastructure. The calculation of the emissions reductions under this approach will be based on the same methodology and requirements as apply to a replacement or repower project for

that type of vehicle or equipment. If the applicant is not also applying for funds for the replacement or repower activities, the applicant will need to include the applicable forms for the replacement or repower category for that type of vehicle or equipment to list the vehicle or equipment being replaced or repowered and to verify the use and condition of the old vehicle or equipment. Under the replacement approach, the vehicle or equipment being purchased as a replacement may not have been purchased prior to the opening of the application period. Under the repower approach, the vehicle or equipment may not have been repowered prior to 12 months before the end date of the application period.

In general, the applicant should own and operate the vehicles or equipment to be provided fuel from the infrastructure. However, the TCEQ may accept on a case-by-case basis applications for projects where the infrastructure owner/operator does not own the vehicles or equipment. In those cases, the grant recipient will be responsible for securing necessary agreements from the vehicle or equipment owner/operator to ensure compliance with the grant requirements, including reporting on the use of the vehicle or equipment for the activity life and the destruction of the old vehicle or equipment and engine if the emissions reductions are based on replacement or repower of an existing vehicle or piece of equipment. The TCEQ may withhold issuing a contract or notice to proceed until such agreements are provided.

Eligible Costs

The grant recipient may be eligible for reimbursement of up to 50 percent of the cost of the purchase and installation of the infrastructure. The cost per ton limits for the infrastructure will be based on the type of vehicle or equipment to be refueled: non-road equipment - \$10,000 per ton, on-road vehicles and stationary equipment - \$10,000 per ton, marine vessels - \$5,000 per ton, and locomotives - \$5,000 per ton. Eligible costs are listed below.

- a) Capital Costs – Equipment and Installation
 - Invoice cost of the infrastructure equipment, including taxes, duty, protective in-transit insurance, and freight charges.
 - Installation costs, including any technical design, testing, and other engineering services required as part of the installation work.
- b) Supplies. Invoice cost of equipment and materials not included as part of the infrastructure equipment with an acquisition cost of less than \$5,000 that are necessary for the installation of the infrastructure.
- c) Construction. Construction costs not included as part of the installation of the equipment, including design, engineering, permits, and site improvements if the site must be modified to allow for the installation of the infrastructure equipment.

The cost of the purchase of land or an interest in land is not eligible for funding. All grant-funded infrastructure must be purchased and not leased. The TCEQ may withhold reimbursement for the infrastructure costs until the vehicles or equipment to be fueled from the infrastructure have been purchased, replaced, or repowered.

For complete information, please refer to Appendix 6 of the guidelines and the instructions on the application forms.

- g. On-Site Electrification and Idle Reduction Infrastructure.** An eligible activity may include the purchase and installation of on-site infrastructure — including auxiliary power units — designed to dispense electricity to motor vehicles, on-road heavy-duty vehicles, and non-road equipment, including marine vessels and locomotives. In some cases, the TCEQ may accept applications for refueling infrastructure related to stationary equipment. The electricity may be provided to replace the power normally supplied by the engine while the vehicle or equipment is parked (idle reduction) or to recharge electric vehicles or equipment being used in lieu of vehicles or equipment powered by an internal combustion engine. The applicant will need to provide information to show that the infrastructure is needed and will be used in an eligible county.

Subject to approval of the TCEQ, the on-site infrastructure may also include other services, in addition to providing electricity, as part of an idle reduction program. These other services may include air conditioning and heating, phone and cable TV access, and other “hotel” services directly related to reducing vehicle idling.

For complete information, please refer to Appendix 7 of the guidelines and the instructions on the application forms.

- 1) Electrification of Vehicles and Equipment
(Refer to Appendix 7 of the guidelines)

Electrification infrastructure may be purchased to support the purchase of new electric vehicles or equipment in lieu of vehicles or equipment powered by internal combustion engines. Infrastructure may also be purchased to support the electrification of existing vehicles or equipment.

The NO_x emissions reductions attributable to the project will be based on the operation of the vehicles or equipment in the eligible counties only. In the application, the applicant will be required to show how a new NO_x emissions reduction will result from the installation and use of the infrastructure. The NO_x emissions reductions must be quantifiable, enforceable, and achieved over the activity life of the project.

The NO_x emissions reductions may be based on the purchase and use of an electric vehicle or equipment or an upgrade or conversion of vehicles or equipment. Emissions reductions attributable to the use of the infrastructure may be determined under several different approaches, as explained below.

- a) Fleet expansion. The TCEQ may accept NO_x emissions reductions based on fleet expansions through the purchase and use of electric vehicles or equipment. In general the baseline for comparison will be the federal emissions standard for that type of vehicle or equipment. If the applicant is not also applying for funds for the fleet expansion activities, the applicant will need to include the applicable forms for the new purchase or lease category for that type of vehicle or equipment. The vehicle or equipment may not have been purchased prior to 12 months prior to the end date of the application period.
- b) Replacements or upgrades. The TCEQ may accept NO_x emissions reductions based on the replacement or repower of conventionally-fueled vehicles or equipment with new or newer electric vehicles, equipment, or engines to be provided electricity from the infrastructure. The calculation of the emissions reductions under this approach will be based on the same methodology and requirements as apply to a replacement or repower

project for that type of vehicle or equipment. If the applicant is not also applying for funds for the replacement or repower activities, the applicant will need to include the applicable forms for the replacement or repower category for that type of vehicle or equipment to list the vehicle or equipment being replaced or repowered and to verify the use and condition of the old vehicle or equipment. Under the replacement approach, the vehicle or equipment being purchased as a replacement may not have been purchased prior to the opening of the application period. Under the repower approach, the vehicle or equipment may not have been repowered prior to 12 months before the end date of the application period.

In general, the applicant should own and operate the vehicles or equipment to be provided electricity from the infrastructure. However, the TCEQ may accept on a case-by-case basis applications for projects where the infrastructure owner/operator does not own the vehicles or equipment. In those cases, the grant recipient will be responsible for securing necessary agreements from the vehicle or equipment owner/operator to ensure compliance with the grant requirements, including reporting on the use of the vehicle or equipment for the activity life and the destruction of the old vehicle or equipment and engine if the emissions reductions are based on replacement or repower of an existing vehicle or piece of equipment. The TCEQ may withhold issuing a contract or notice to proceed until such agreements are provided

Eligible Costs

The grant recipient may be eligible for reimbursement of up to 50 percent of the cost of the purchase and installation of the infrastructure. The cost per ton limits for the infrastructure will be based on the type of vehicle or equipment to be refueled: non-road equipment - \$10,000 per ton, on-road vehicles and stationary equipment - \$10,000 per ton, marine vessels - \$5,000 per ton, and locomotives - \$5,000 per ton. Eligible costs are listed below.

- a) Capital Costs – Equipment and Installation
 - Invoice cost of the infrastructure equipment, including taxes, duty, protective in-transit insurance, and freight charges.
 - Installation costs, including any technical design, testing, and other engineering services required as part of the installation work.
- b) Supplies. Invoice cost of equipment and materials not included as part of the infrastructure equipment with an acquisition cost of less than \$5,000 that are necessary for the installation of the infrastructure.
- c) Construction. Construction costs not included as part of the installation of the equipment, including design, engineering, permits, and site improvements if the site must be modified to allow for the installation of the infrastructure equipment.

The cost of the purchase of land or an interest in land is not eligible for funding. All grant-funded infrastructure must be purchased and not leased. The TCEQ may withhold reimbursement for the infrastructure costs until the vehicles or equipment to be provided electricity from the infrastructure have been purchased, replaced, or repowered.

2) Idle Reduction
(Refer to Appendix 7 of the guidelines)

On-site electrification of truck stops, rest stops, and other areas may also be funded under this program, in support of idle reduction programs to reduce NOx emissions in the eligible counties. The NOx emissions reductions will be calculated based on the reduction in idling NOx emissions for the engine.

Local governments in some areas of the state have entered into a memorandum of agreement (MOA) with the TCEQ to enforce state rules (30 Texas Administrative Code, Chapter 114, Subchapter J, Division 2) restricting on-road vehicle idling within the local government's jurisdiction. Most of the governments in the Austin area and many of the governments in the Dallas-Fort Worth (DFW) area have entered into an MOA. On-site idle reduction projects to reduce idling covered by the rules are not eligible for funding in those jurisdictions that have entered into a MOA to enforce the anti-idling requirements. This restriction primarily covers truck stop electrification and idle reduction projects intended to supply external power, A/C, and heater services to sleeper berths for vehicles over 14,000 pounds GVWR.

Some of the uses that may be exempted from the restrictions include;

- a) vehicles with a GVWR of 14,000 or less;
- b) vehicles used for military, emergency, or law enforcement purposes;
- c) use of the propulsion engine for mechanical operation of power-take-off systems;
- d) use of the propulsion engine to supply heat or air conditioning for passenger comfort and safety in vehicles intended for commercial or public transportation or passenger transit operations for up to 30 minutes of idling;
- e) use of the propulsion engine to provide air conditioning or heating necessary for employee health or safety while the employee is using the vehicle to perform an essential job function related to roadway construction or maintenance; or
- f) use as airport ground support equipment.

Information on the locally-enforced idling restrictions may be found on the TCEQ's web site at www.tceq.state.tx.us/implementation/air/sip/vehicleidling.html. Applicants should also refer to 30 TAC §114.517 for a complete explanation of the idling restrictions and list of exemptions to those restrictions. Applicants for on-site idle reduction projects in the DFW and Austin areas should first contact the TERP staff to determine if the project will be eligible.

Eligible Costs

The grant recipient may be eligible for reimbursement of up to 50 percent of the cost of the purchase and installation of the infrastructure. The cost per ton limits for the infrastructure will be based on the type of vehicle or equipment to be refueled: non-road equipment - \$10,000 per ton, on-road vehicles and stationary equipment - \$10,000 per ton, marine vessels - \$5,000 per ton, and locomotives - \$5,000 per ton. Eligible costs are listed below.

- a) Capital Costs – Equipment and Installation
 - Invoice cost of the infrastructure equipment, including taxes, duty, protective in-transit insurance, and freight charges.
 - Installation costs, including any technical design, testing, and other engineering services required as part of the installation work.
- b) Supplies. Invoice cost of equipment and materials not included as part of the infrastructure equipment with an acquisition cost of less than \$5,000 that are necessary

for the installation of the infrastructure.

- c) **Construction.** Construction costs not included as part of the installation of the equipment, including design, engineering, permits, and site improvements if the site must be modified to allow for the installation of the infrastructure equipment.

The cost of the purchase of land or an interest in land is not eligible for funding. For applicants that are not state agencies, all grant-funded infrastructure must be purchased and not leased.

- h. On-Vehicle Electrification and Idle Reduction Infrastructure.** An eligible activity may include the purchase and installation of equipment that enables a vehicle or equipment to use electric power to operate, while the vehicle or equipment is parked, the systems normally supplied power by the propulsion engine or another on-board internal combustion engine that emits NO_x.

Eligible equipment may include: (1) the add-on of devices to enable acceptance of electricity from an external power source, or (2) the purchase and installation on the vehicle or equipment of an auxiliary power unit (APU) to generate electricity.

The TCEQ may also accept, on a case-by-case basis, idle-limiting devices for locomotives, as well as other types of idle reduction devices.

Local governments in some areas of the state have entered into a memorandum of agreement (MOA) with the TCEQ to enforce state rules -- 30 Texas Administrative Code (TAC), Chapter 114, Subchapter J, Division 2 -- restricting on-road vehicle idling within the local government's jurisdiction. Most of the governments in the Austin area and many of the governments in the Dallas-Fort Worth (DFW) area have entered into an MOA. Therefore, for this grant application period on-vehicle idle reduction projects to reduce the types of idling covered by the rules are not eligible for funding in the Austin and DFW areas. In general, this provision precludes funding for on-vehicle auxiliary power units (APUs) and other devices for providing power for A/C and heater services in a sleeper berth on a vehicle over 14,000 pounds GVWR while the vehicle is parked. Idle reduction projects to provide an alternate power source for mechanical operation of power-take-off equipment and similar systems may be eligible for funding.

Some of the uses that may be exempted from the restrictions include;

- 1) vehicles with a GVWR of 14,000 or less;
- 2) vehicles used for military, emergency, or law enforcement purposes;
- 3) use of the propulsion engine for mechanical operation of power-take-off systems;
- 4) use of the propulsion engine to supply heat or air conditioning for passenger comfort and safety in vehicles intended for commercial or public transportation or passenger transit operations for up to 30 minutes of idling;
- 5) use of the propulsion engine to provide air conditioning or heating necessary for employee health or safety while the employee is using the vehicle to perform an essential job function related to roadway construction or maintenance; or
- 6) use as airport ground support equipment.

Information on the locally-enforced idling restrictions may be found on the TCEQ's web site at www.tceq.state.tx.us/implementation/air/sip/vehicleidling.html. Applicants should also refer to 30 TAC §114.517 for a complete explanation of the idling restrictions and list of exemptions to those restrictions. Applicants for on-vehicle idle reduction projects in the DFW and Austin areas should first contact the TERP staff to determine if the project will be eligible.

The grant recipient may be eligible for reimbursement of the cost of the purchase and installation of the infrastructure, not to exceed an incentive amount that results in a cost per ton of NO_x reduced of \$10,000 or less. For marine vessel and locomotive projects, the cost per ton of NO_x reduced may not exceed \$5,000. Eligible costs are listed below.

- 1) Capital Costs – Equipment and Installation
 - a) Invoice cost of the equipment, including taxes, duty, protective in-transit insurance, and freight charges.
 - b) Invoice cost of additional equipment with a per unit acquisition cost of \$5,000 or more and that is necessary for the completion of the retrofit project.
 - c) Installation costs. Installation costs may include costs to re-engineer the equipment for the infrastructure to fit. Technical design, testing, and other engineering services required as part of the installation work should also be listed under this subcategory.
- 2) Supplies. Invoice cost of equipment and materials not included as part of the infrastructure system itself with an acquisition cost of less than \$5,000 that are necessary for the installation of the equipment.

All grant-funded infrastructure must be purchased and not leased. The grant recipient must also own the vehicle or equipment on which the idle reduction system is to be installed. An applicant must provide with the application a current vehicle title listing the applicant as the owner of the vehicle. Lease-to-own agreements are not considered ownership for purposes of meeting this requirement.

For complete information, please refer to Appendix 8 of the guidelines.

- i. Rail Relocation and Improvement.** An eligible activity may include the relocation of rail lines to reduce the number of grade crossings, improvements at rail intersections, and other improvements that will directly result in the reduction of locomotive and/or vehicle engine idling at rail intersections. Eligible rail intersections may include the intersection of two rail lines or an intersection of a highway or roadway and a rail line, commonly referred to as a highway-rail grade crossing. The grant recipient must own or otherwise control the rail line, right-of-way, or the facility being improved.

The TCEQ may consider various types of projects. The funding decisions may be based on the likelihood that the emissions reductions are verifiable and enforceable under the grant contract.

The applicant must provide with the application information to show that the project is viable, can be expected to achieve reductions in NO_x emissions from reducing locomotive and/or vehicle engine idling, and can be completed within the contract period. The contract period may extend for up to 18 months after the end of the state fiscal year in which the contract is executed.

Eligible Costs

The grant recipient may be eligible for reimbursement of the costs of the rail relocation and improvements up to the cost per ton limit for locomotive projects of \$5,000 per ton of NO_x reduced. Eligible costs are listed below.

- 1) Capital Costs – Equipment and Installation
 - a) Invoice cost of equipment required for the rail relocation or improvement activity, including taxes, duty, protective in-transit insurance, and freight charges.
 - b) Installation costs, including any technical design, testing, and other engineering services required in order to install the equipment.

- 2) Supplies. Invoice cost of equipment and materials not included as part of the infrastructure equipment with an acquisition cost of less than \$5,000 that are necessary for the installation of the equipment.
- 3) Construction. Construction costs not included as part of the installation of the equipment, including design, engineering, fees, permits, and site improvements.
- 4) Contractual. Other contractual costs not included under the construction or equipment installation category.
- 5) Other. Other costs necessary for the completion of the project, subject to approval of the TCEQ.

The cost of the purchase of land or an interest in land is not eligible for funding. General studies and plans not directly related to the specific rail relocation or improvement project are not eligible for reimbursement.

For additional information, refer to Appendix 9 of the guidelines.

- j. **Use of Qualifying Fuel.** The TCEQ is not accepting applications under this application period for projects to fund the incremental costs of a qualifying fuel.

1.6 UNVERIFIED OR UNCERTIFIED TECHNOLOGIES

Where applicable, the reduced emission vehicle, equipment, and/or engine must be certified to emit at least 25 percent less NO_x than the baseline vehicle, equipment, and/or engine. Certification means approved by the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB), or otherwise accepted by the TCEQ.

For this application period, the TCEQ is not accepting applications for funding technologies for which the emissions reductions are not yet certified or verified. The manufacturer or dealer of the technology should be able to provide applicants with the forms issued by EPA or CARB confirming the certification or verification of the engine or emission-reduction technology.

In situations where the type of technology or use of that technology is not covered by an EPA or CARB verification or certification program, the TCEQ will evaluate the eligibility of that technology on a case-by-case basis.

1.7 ADDITIONAL REQUIREMENTS

Additional criteria that apply to activities funded under this program are discussed below.

- a. Except for the rail relocation and improvement category, more than one activity with the same emissions source (i.e., on-road, non-road, locomotive, etc.) may be combined under one project application. Rail relocation and improvement activities must be submitted in a separate application for each activity and may not be combined with other activities. Activities involving different emission sources must also be submitted using separate applications. All activities in a grant application must be proposed to be conducted in one primary area (see list under Section 1.4). Activities to be conducted in different primary areas must be applied for under separate applications. If a grant is awarded, the grant contract will allow use of the grant-funded vehicle or equipment within several areas, but the TCEQ will need to know which area is considered the primary area.
- b. The applicant must already own the vehicle or equipment being replaced, repowered, or retrofitted.

- c. Except where an alternative disposition plan is authorized for a locomotive project, vehicles, equipment, and/or engines replaced under this program must be scrapped or otherwise rendered permanently inoperable. The grant contract will include specific provisions for scrapping the vehicles, equipment, and/or engines and for submitting scrappage verification information to the TCEQ.
- d. For a locomotive project, the Executive Director may allow permanent removal from the State of Texas in specific grants where the applicant has provided sufficient assurances that the replaced locomotive will not be returned to the State of Texas. If an alternative disposition plan is approved for a locomotive project, the details of that plan will be included in the grant contract and the grant recipient must commit to implementing the provisions as set forth in the grant contract.
- e. Engine scrappage may include sending the engine to a remanufacture facility authorized by the original engine manufacturer. The remanufacture of the engine must include removing all parts and using the old block to build a remanufactured engine with a new serial number.
- f. The cost per ton of NO_x reduced of the combined project may not exceed \$5,000 for marine vessel or locomotive projects, \$10,000 for non-road equipment projects, and \$10,000 for on-road vehicle or stationary equipment projects. For projects that include infrastructure activities, the cost per ton limits for the type of vehicle or equipment to be served by the infrastructure apply to the project.
- g. The grant may only reimburse up to 80 percent of the eligible incremental costs of a replacement project.
- h. The grant may only reimburse up to 50 percent of the eligible purchase and installation costs of a refueling or onsite electrification and idle reduction infrastructure activity. This restriction does not apply to grants to state agencies to lease, purchase, or install idle reduction infrastructure at rest stops or other public facilities.
- i. For activities other than on-road vehicle activities, not less than 75 percent of the annual usage of the grant-funded vehicle or equipment during the Activity Life must take place within the eligible counties marked in the Approved Application. Annual usage will be measured by hours of operation for non-road equipment and marine vessels and fuel use for locomotives.
- j. For on-road vehicle activities, the applicant must designate in the application the percentage of the annual use that will occur in the eligible counties, which may not be less than 25 percent of the annual use. In addition to the percentage of annual miles in the eligible counties committed to by the applicant, the applicant must also commit to operating the vehicle at least 75 percent of the annual use in a combination of the eligible counties and on one or more of the designated highways or roadways. Annual usage for on-road vehicles will normally be measured by mileage. However, for on-road vehicles that have a significant power-take-off operation, annual usage may be measured by fuel use.

- k. An activity is not eligible if it is required by any state or federal law, rule, regulation, memorandum of agreement, or other legally binding document. However, this restriction does not apply to an otherwise qualified activity — regardless of the fact that the state implementation plan assumes that the change in equipment, vehicles, or operations will occur — if on the date the grant is awarded the change is not required by any state or federal law, rule, regulation, memorandum of agreement, or other legally binding document. This restriction also does not apply to the purchase of vehicles or equipment that is required only by local law or regulation or by corporate or controlling board policy of a public or private entity.
- l. Subject to approval by the TCEQ, case-by-case, activities for the repower or retrofit of an existing engine that must meet a more stringent emission standard under state or federal regulations at the time of engine replacement, overhaul, or remanufacture may be eligible if the requirement does not include a deadline or specific time period for the upgrade to occur. The more stringent emissions standard will be used as the baseline emissions rate in the calculation to determine the emissions reductions and the determination that the activity will result in at least a 25 percent reduction in NO_x.
- m. An activity involving a new emissions reduction measure that would otherwise generate marketable credits under state or federal emissions reduction credit averaging, banking, or trading programs is not eligible for funding under this program unless:
- the activity includes the transfer of the reductions that would otherwise be marketable credits to the state implementation plan or the owner or operator as provided under §386.056, Texas Health and Safety Code; and
 - the reductions are permanently retired.
- Applicants should contact the TCEQ early in the application process to determine the mechanism for transferring and retiring any marketable credits. This provision includes emissions allowances under the Mass Cap and Trade Program for the Houston-Galveston-Brazoria area, established in TCEQ rules (30 TAC Chapter 101, Subchapter H, Division 3).
- n. The incremental cost of the proposed activity must be reduced by the value of any existing financial incentive that directly reduces the cost of the proposed activity, including tax credits or deductions, other grants, or any other public financial assistance.
- o. Applicants must agree to monitor the use of the grant-funded vehicles, equipment, infrastructure, and/or fuel, and to report semi-annually to the TCEQ for the life of each grant-funded activity. The minimum activity life for activities submitted under this Request for Applications is five (5) years.
- p. Applicants must also agree to notify the TCEQ of any termination of use, change in use, sale, transfer, or accidental or intentional destruction of grant-funded vehicles or equipment, or change in use of the qualifying fuel, during the life of each activity.
- q. All applications for funding must be completed according to the application instructions and submitted within the required deadline. The complete requirements and instructions are included in the guidelines and the application forms.

- r. In general, activities other than replacement activities may have already been started prior to the awarding of a grant. However, expenses to be reimbursed under a grant may not have been incurred prior to 12 months before the deadline for application submission. Also, the TCEQ reserves the right to limit or prohibit, on a case-by-case basis, funding for activities that have been conducted and expenses that have been incurred prior to the execution of a grant contract. The TCEQ provides no assurances that a project will be awarded a grant, and the TCEQ has no liability for expenses incurred by an applicant prior to the execution of a grant contract, unless and until those activities and expenses are selected for a grant and included under a grant contract.
- s. For replacement activities, the applicant must have owned the vehicle or equipment and it must have been used in Texas for the two years preceding the submission of the grant application. The applicant must certify in the application forms that the applicant would have otherwise continued to use the vehicle or equipment in the eligible counties if the grant were not available. Also, the vehicle or piece of equipment being purchased may not have been acquired before the start of the grant application period.
- t. Entities selected to receive grant funding will be required to execute a contract with the TCEQ. All services or work carried out under a contract awarded as a result of this RFA must be completed within the scope, time frames, and funding limitations specified in the contract. A copy of the contract shell is available on the TERP web site.
- u. Most activities funded under this program — except for infrastructure activities that will require construction work — will be expected to be completed within several months of execution of a grant contract. Longer-term activities will be considered on a case-by-case basis, and applicants may be asked to further justify the need for an extended contract period. The maximum contract period under this program will be 18 months after the end of the state fiscal year in which the grant is awarded. The state fiscal year runs from September 1 through August 31.
- v. Administrative costs and other internal costs of the grant recipient, including but not limited to personnel expenses, internal salaries, indirect costs, and travel will not be eligible. This restriction also applies to situations where the grant recipient acts as a transportation provider for delivery of the grant-funded vehicle or equipment before or after acceptance of the vehicle or equipment.
- w. Consultant fees for the preparation of a grant application, either directly or as an addition of the cost basis of the grant-funded vehicle, equipment, or engine, are not eligible for reimbursement by the TCEQ.
- x. Fees for a third-party consultant hired by the grant recipient to manage and administer the grant-funded activities, including coordination of the work and submission of reports and paperwork to the TCEQ for the grant recipient will not be eligible. This restriction is not intended to limit the ability of the vehicle or equipment provider or installer to include reasonable and necessary costs for managing the work to be performed in the price of the vehicle, equipment, or installation services. The costs for professional services, including engineering and technical work, required for completion of the activity may be included, subject to the restrictions pertaining to that type of project. The costs for a general contractor to complete construction work under an infrastructure project may also be included. Per the Uniform Grant Management Standards (UGMS), the cost plus a percentage of cost methods of contracting for professional services shall not be used.

- y. Under Section 231.006, Texas Family Code, a child support obligor who is more than 30 days delinquent in paying child support and a business entity in which the obligor is a sole proprietor, partner, shareholder, or owner with an ownership interest of at least 25 percent is not eligible to receive a state-funded grant or loan. All business entities applying for a grant under this Request for Applications must include in the application the name and social security number of the individual or sole proprietor and each partner, shareholder, or owner with an ownership interest of at least 25 percent of the business entity submitting the application. The certifying official submitting the application must also certify in the application that the individual or business entity named in the application is not ineligible to receive the grant and acknowledges that the grant contract may be terminated and payment may be withheld if the certification is inaccurate.

1.8 GRANT ADMINISTRATION AND REIMBURSEMENT OF EXPENSES

- a. In order to ensure that all revenue received is used under this program, the TCEQ may select projects and award contracts that may ultimately exceed the amount of revenue received. Grant contracts will include a Notice to Proceed (NTP) clause and will specify that reimbursements are contingent upon the TCEQ receiving sufficient revenue to cover the grant. The TCEQ will provide a written notice to the grant recipient when/if revenue is available to cover the grant. Any expenses incurred by the grant recipient prior to receiving the notice will be at the grant recipient's own risk.
- b. Except as provided for under Section c. below, payments will be made on a reimbursement basis for eligible expenses incurred and paid by the grant recipient. A cost may not be considered incurred until the grant-funded goods and services have been received and accepted by the grant recipient. Requests for reimbursement may be submitted to the TCEQ no more frequently than monthly. Grant recipients will be required to provide documentation to show that equipment or services have been received and the expenses have been incurred and paid by the grant recipient, before reimbursement is provided by the TCEQ.
- c. Subject to approval by the TCEQ, the grant recipient may assign the payments due from the TCEQ directly to the supplier, subcontractor, financing or leasing company, or other entity from which the goods or services were procured, leased, or financed by the grant recipient. A properly completed Texas Application for Payee Identification Number and Notice of Assignment must be completed and submitted with, or prior to submission of, the Request for Reimbursement form. Under this option, the goods and services included under a cost must have been received and accepted by the grant recipient, and the grant recipient must have an obligation to pay the expense.
- d. Financial information will be required with each request for reimbursement, listing the status of all expenses and budget items. Reporting forms will be provided by the TCEQ.
- e. For replacement projects, the scrap value is considered a cost of performing the Grant Activities and as such must be reasonable. By reasonable, the value received for the vehicle or equipment being replaced must be the result of arms-length bargaining with the entity taking the old vehicle or equipment. The remuneration received and reported to the TCEQ must reflect the actual reasonable scrap value of the old vehicle or equipment. A grant recipient may be required to list on the financial reporting forms any money or in-kind value received in exchange for the scrapped vehicle or equipment including, but not limited to, cash, goods, services (including the services provided by a consultant to assist in preparing and/or submitting a grant application), gifts, intangibles, discounts, or any other items of value. For on-road vehicle and non-road equipment replacement projects, the TCEQ may use a default scrap value of \$1,000, in lieu of the grant recipient reporting the actual remuneration received.

- f. Unless otherwise approved by the TCEQ, all project costs must have been incurred and grant-funded equipment or vehicles received before the end of the grant contract term, and all final requests for reimbursement will need to be submitted within 45 days after termination of the contract.
- g. For any grant activity where the grant-funded vehicle or equipment will be acquired and used under a lease or lease-purchase agreement, the period of the lease agreement must extend for at least the Activity Life or, if the lease terminates before the end of the Activity Life, the lease agreement must include a binding commitment for the grant recipient to pay any remaining costs and to take ownership of and title to the vehicle or equipment. An option to buy at the end of the lease term, without a binding commitment on the part of the grant recipient, will not be sufficient to satisfy this provision.
- h. Also, reimbursement will not normally be authorized for pre-payment of future periodic lease payments. A grant recipient will need to either ensure that sufficient payments will be made prior to the end of the grant term to use the grant amount or structure the financing or lease agreement to allow for an up-front payment in return for lower periodic payments.

1.9 MONITORING AND REPORTING

- a. The grant recipient must agree to monitor the use of grant-funded equipment or qualifying fuel for the designated Activity Life. The Activity Life is the period of time (in years) used to calculate the amount of NO_x emissions reductions that will be achieved through the use of the grant-funded equipment or qualifying fuel.
- b. The beginning and ending dates for the life of each grant-funded activity will be established by the TCEQ. For replacement and repower activities, the beginning of the Activity Life will normally be set on the date that the report verifying that the vehicle, equipment, and/or engine being replaced has been properly disposed of is received by the TCEQ. For other types of activities, the Activity Life will normally be started on the date that the grant-funded vehicle, equipment, and/or engine is received and placed into service. For infrastructure projects, the activity start date will normally be either the date that the infrastructure is completed or the date that all of the vehicles and equipment that used to calculate the emissions reductions begin using the infrastructure, whichever is later.
- c. Semi-annual reports on the use of the grant-funded equipment or qualifying fuel will be required, using forms to be provided by the TCEQ.
- d. Grant recipients must agree to place an identifying mark or label to be provided by the TCEQ on the grant-funded vehicles or equipment if requested to do so by the TCEQ.
- e. The TCEQ is also evaluating technologies that would allow the TCEQ and the grant recipient to electronically track the location and use of grant-funded vehicles and equipment. The grant recipient must agree to install and use a device for tracking the location of grant-funded vehicles and equipment if requested to do so by the TCEQ.
- f. If an alternative disposition plan is approved for a locomotive project, the grant recipient must agree to monitor and track the location of the replaced locomotive to ensure that it is not returned to the State of Texas. The grant recipient must also agree to provide the TCEQ with the monitoring information, upon request. The grant recipient must notify the TCEQ immediately if the use of the locomotive, including location of use, deviate from the approved alternative

disposition plan.

1.10 PERFORMANCE EVALUATION

The TCEQ will prepare written evaluations of the performance of the grant recipient upon completion of all reimbursements and also upon the completion of the life of the project or more frequently, as deemed necessary by the TCEQ. The performance rating on contractor evaluations for a past grant may be considered by the TCEQ in evaluating an application from the grant recipient for additional funding under this program. A rating of marginal or unsatisfactory performance may be used as a basis to lower or otherwise change the priority and ranking of a future application.

1.11 FUNDING

- a. The total amount to be awarded under this grant program will depend upon the amount of revenue received into the TERP account. The TCEQ will not be obligated to select project proposals to cover the full amount of expected or available funding.
- b. The TCEQ may select parts of a proposal for funding and may offer to fund less than the dollar amount requested in a proposal.
- c. The TCEQ may, at its discretion, select projects to be awarded a grant under this RFA from the revenue appropriated to the agency for Fiscal Year 2011. The issuance of a grant contract and/or Notice to Proceed for grants awarded funding from the FY 2009 appropriations may be delayed until after September 1, 2010, when such funds become available. Applicants selected for funding from the FY 2011 appropriation of funds will be notified of their selection and advised of the estimated time frame for issuance of a contract and NTP.

2.0 APPLICATION PROCESS

- a. **Required Forms.** Application forms and complete guidelines and criteria on the activities eligible for funding under this program may be viewed and downloaded from the TERP web site at <www.terpgrants.org>.
- b. **Application Submission.** To apply for funding, applicants must complete and submit a grant application which includes the required information described in the instructions included with the application forms. Three (3) copies of the completed forms should be submitted to:

Regular Mail: Texas Commission on Environmental Quality
Air Quality Division
Implementation Grants Section (ERIG), MC-204
P.O. Box 13087
Austin, TX 78711-3087

Express Mail: Texas Commission on Environmental Quality
Air Quality Division
Implementation Grants Section (ERIG), MC-204
12100 Park 35 Circle
Austin, TX 78753

- c. **Deadline for Submission.** Proposals will be accepted for consideration during this grant period only if received at the front desk, Rm. 2202, 2nd floor of Building F on the premises of the TCEQ by *no later than 5:00 p.m. Central Time, August 13, 2010*. Applications received in the TCEQ mail room on this date, are not guaranteed to be delivered to Rm. 2202 by the required deadline, so applicants are encouraged to plan their submission accordingly. Applicants are encouraged to submit an application as early as possible.
- d. **Use of Consultants.** Private consultants may be available to assist an applicant to complete and submit an application. These consultants do not represent the TCEQ and the TCEQ neither encourages nor discourages the use of a consultant to assist with the application process. The TCEQ has no agreement with any consultant that applications submitted by a particular consultant will receive more favorable treatment than other applications. Any fees charged by a consultant are the responsibility of the applicant or the vendor and may not be charged to the grant, either directly or as an addition to the cost basis of the grant-funded vehicle or equipment. Also, all purchase decisions must be based on sound business practices and arm's length bargaining. It is generally considered acceptable for an applicant to accept assistance from a vendor or an agent of a vendor in preparing an application, as long as any decision by the applicant to purchase the grant-funded vehicle or equipment from that vendor is made independently and meets the other reasonableness provisions in the grant contract. However, if the consultant is paid directly by the applicant to complete the application documents and to act as the applicant's agent for the grants process, purchases of grant-funded vehicles or equipment from a company in which the consultant has an interest would not normally be considered appropriate by the TCEQ under the reasonableness requirements of the grant contract. Contact the TERP staff with any questions.

The applicant must indicate on the application if the application was prepared by a third party. In those cases, the third-party preparer must also sign the application and certify that the information provided is correct.

- e. **Additional Program Information.** Individuals desiring further information are encouraged to call the TERP staff at 1-800-919-TERP (8377).
- f. **Public Information.** Upon submission, all proposals become the property of the State of Texas and as such become subject to the Texas Open Records Act, V.T.C.S. art. 6252-17a.

3.0 SELECTION CRITERIA

- a. **Ranking Criteria.** Applications will be ranked according to the cost per ton of NO_x reduced by the project. The cost per ton is determined by dividing the grant amount by the projected tons of reduction in NO_x emissions to be achieved over the life of the project.

b. Incentives for Agricultural Equipment. Applications for projects involving non-road and stationary equipment used in agricultural activities will be considered for grant awards from funds allocated by the TCEQ for those types of projects. The amount of funding allocated for these projects will be established at the discretion of the TCEQ and the amount may be changed as determined appropriate without an amendment to this notice. Projects falling under the criteria may be considered separately from other types of projects, up to the allocated funding amount. After the allocated funding amount is exceeded, applications for agricultural equipment projects will be ranked along with applications for other types of projects. For purposes of this provision, agricultural activities include:

- 1) the cultivation of soil to produce crops;
- 2) horticulture, floriculture, or viticulture;
- 3) forestry; or
- 4) the raising and keeping of livestock or poultry.

Equipment used for commercial or residential landscaping and mowing are not included in this definition.

c. Additional Criteria. In addition to the selection criteria explained above, and regardless of the scores and ranking assigned to a project, the TCEQ may consider the additional criteria explained below when selecting applications for grant funding.

- 1) Regardless of the scores and ranking assigned, the TCEQ may base funding decisions on other factors associated with best achieving the goals of the program and the TCEQ is not obligated to select a project for funding. As part of this consideration, the TCEQ may give priority to projects in certain areas and/or for certain emissions sources.
- 2) The TCEQ may make selection for funding contingent upon agreement by the applicant with additional conditions or changes to the project pertaining to equipment, logistical considerations, expenses, and other program elements.
- 3) The TCEQ may select parts of a proposal for funding and may offer to fund smaller amounts and/or a smaller percentage of the eligible incremental costs than requested in the application. The TCEQ may fund projects at less than the cost per ton funding limits.
- 4) Based on the number and types of applications received, the TCEQ may establish a cut-off level for grant selections that is less than the available funding, and projects may be offered a smaller amount of funding or may be held until a later date.
- 5) The TCEQ is not obligated to fund a proposal from an applicant that has demonstrated marginal or unsatisfactory performance on previous grants and contracts with the TCEQ and other state agencies. A rating of marginal or unsatisfactory performance on past contracts may be used as a basis to lower or otherwise change the priority and ranking of an application.
- 6) The TCEQ is not obligated to fund a proposal from an applicant or for a project based on a determination of the risks associated with the applicant and/or project, including the financial condition of the applicant and other risk factors as may be determined by the TCEQ. The TCEQ may also include additional controls in a grant contract to address the risks that may be involved with providing a grant to an applicant considered to be high risk.
- 7) The TCEQ is not obligated to fund a proposal from an applicant that is under federal, state, or local enforcement action for violation of environmental laws or permit conditions.

- 8) The TCEQ is not obligated to fund a proposal from an applicant with an overall compliance history classification of *Poor* (45.01 or greater) on the TCEQ's Compliance History Database, for applicants that are subject to the rating.
- 9) The TCEQ is not obligated to fund a proposal where the emissions reductions are speculative in nature and which pose a higher risk of not being achieved, such as infrastructure projects where the emissions reductions are based on conversion of vehicles or equipment which have not yet been identified or which are not under the control of the applicant. Regardless of the score assigned to these types of projects, the TCEQ may place such projects at a lower priority for funding or choose not to fund such a project, based on the risks that the project will not achieve the projected emissions reductions.

4.0 APPLICATION REVIEW AND SELECTION PROCESS

- a. **Application Review.** The TCEQ will review the applications and will notify applicants of any needed changes or additional information.
- b. **Project Selection.** Properly completed applications for eligible projects will be evaluated, scored, and ranked.

The TCEQ will work with applicants, to the extent possible, to correct problems with applications and to obtain all necessary information and documentation in order to consider the application complete. However, the amount of time available for correction of applications will be limited, and the TCEQ is not obligated to wait for all corrections to be completed before making the grant selections.

The TCEQ may also consider applications for selection pending receipt of all needed information or documentation and may include provisions in a grant contract making the issuance of a "Notice to Proceed" contingent upon receipt of the additional information.

The TCEQ will consider the amount of revenue received in the TERP account as of the selection date and the estimated amount to be received within a certain period of time after the selection date in determining the number of projects to be included on the selection list.

- c. **Grant Award and Contracting.** An example contract shell will be made available on the TERP web site. Successful applicants will be notified by phone or other means of their selection and the amount of grant funds that may be awarded. At that time, the applicant will need to confirm to the TCEQ if the applicant intends to accept the grant. A grant contract will be developed and provided to the applicant to sign and return to the TCEQ. Upon signature and execution of the contract by the TCEQ, a copy of the signed contract will be returned to the applicant, at which time the grant will be considered awarded.

For rail relocation and improvement projects, the grant application will be considered the initial project proposal. If a project under this category is selected for funding, the TCEQ may use a different contract shell than used for the other TERP project categories. The TCEQ may work with the grant applicant to develop a more detailed scope of work, schedule of deliverables, and budget than originally included in the application. The contract development and approval process for this project category may take longer than for other types of projects and will require additional negotiations after selection of the project in order to develop the final contract documents.

- d. Notice to Proceed.** The execution of a contract will not be the final commitment by TCEQ to provide the funds. A subsequent Notice to Proceed (NTP) will be issued to the grant recipient when sufficient funds become available, and any eligible expenses incurred prior to receipt of the notice will be at the grant recipient's own risk. The NTP may also include authorization for a lesser reimbursement amount than originally approved in the contract, based on the amount of funds available.

The TCEQ may also make issuance of a NTP contingent upon receiving any additional documentation and information that may be needed from the applicant, including inspection by TCEQ of a vehicle, equipment, and/or engine to be replaced under the grant to verify information and the condition of the vehicle, equipment, or engine.

- e. Contract Term.** For purposes of funding and fulfillment of the TCEQ's obligations to provide reimbursement under the grant, the contract will terminate on a specified date. However, in signing a contract the grant recipient will need to agree with and obligate to commitments for achieving emissions reductions for the life of each activity, which will extend beyond the termination date of the contract.

5.0 CONSIDERATION OF APPLICATION IN FUTURE GRANT ROUNDS

The TCEQ may, at its discretion, retain applications not selected for funding under this RFA for consideration under a new RFA issued for a future grant round. Applicants will be notified by the TCEQ if their application is retained for consideration under a future grant round and will be given the option of withdrawing their application from consideration.