

**Texas Commission on Environmental Quality (TCEQ)
Texas Emissions Reduction Plan (TERP)**

**EMISSIONS REDUCTION INCENTIVE GRANTS (ERIG)
Request for Grant Applications
Fiscal Year (FY) 2018**

**Grants for Projects to
Reduce Emissions of Nitrogen Oxides (NO_x)**

Solicitation No. 582-18-80795-0249

Eligible Counties

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

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

Corpus Christi Area: Nueces and San Patricio Counties

Dallas-Fort Worth Area: Collin, Dallas, Denton, Ellis, Henderson, Hood, Hunt, Johnson, Kaufman, Parker, Rockwall, Tarrant, and Wise Counties

El Paso Area: El Paso County

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

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

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

Victoria Area: Victoria County

May 15, 2018

**Texas Commission on Environmental Quality
Air Quality Division
Implementation Grants Section (ERIG), MC-204
P.O. Box 13087
Austin, Texas 78711-3087
1-800-919-TERP (8377)**

This page intentionally left blank.

Applications will be accepted for consideration during this grant period only if received at the front desk, Rm. 1301, 1st floor of Building F on the premises of TCEQ by no later than 5:00 p.m. Central Time, August 15, 2018. Applications received in TCEQ mail room on this date are not guaranteed to be delivered to Rm. 1301 by the required deadline, so applicants are encouraged to plan their submissions accordingly.

This page intentionally left blank.

TABLE OF CONTENTS

1.0 INVITATION _____ **7**

1.1. PURPOSE _____ **7**

1.2. TERP OBJECTIVES _____ **7**

1.3. PROGRAM GUIDELINES _____ **8**

2.0 PROJECT CRITERIA _____ **8**

2.1. ELIGIBLE APPLICANTS AND AREAS _____ **8**

2.2. ELIGIBLE ACTIVITIES AND COSTS _____ **9**

 2.2.1. On-Road Heavy-Duty Vehicles. _____ **10**

 2.2.2. Non-Road Equipment. _____ **19**

 2.2.3. Marine Vessels. _____ **26**

 2.2.4. Locomotives. _____ **31**

 2.2.5. Stationary Equipment. _____ **37**

 2.2.6. On-Vehicle Electrification and Idle Reduction Infrastructure. _____ **41**

 2.2.7. Refueling Infrastructure. _____ **42**

 2.2.8. On-Site Electrification and Idle Reduction Infrastructure. _____ **44**

 2.2.9. Rail Relocation and Improvement. _____ **48**

 2.2.10. Qualifying Fuel Projects _____ **49**

3.0 UNVERIFIED OR UNCERTIFIED TECHNOLOGIES _____ **49**

4.0 DISPOSITION OF VEHICLES, EQUIPMENT, AND ENGINES BEING REPLACED _____ **50**

5.0 ADDITIONAL REQUIREMENTS _____ **50**

6.0 DESIGNATED ACTIVITY LIFE _____ **53**

7.0 PERCENTAGE OF USE REQUIREMENTS _____ **53**

8.0 ANNUAL USAGE RATES _____ **55**

9.0 GRANT ADMINISTRATION AND REIMBURSEMENT OF EXPENSES _____ **57**

10.0 MONITORING AND REPORTING _____ **59**

11.0 PERFORMANCE EVALUATION _____ **60**

12.0 FUNDING _____ **60**

13.0 APPLICATION PROCESS _____ **60**

13.1. REQUIRED FORMS _____ **60**

13.2. APPLICATION SUBMISSION _____ **60**

13.3. DEADLINE FOR SUBMISSION _____ **61**

13.4. USE OF CONSULTANTS _____ **61**

13.5. ADDITIONAL PROGRAM INFORMATION _____ **62**

13.6. PUBLIC INFORMATION _____ **62**

14.0 SELECTION CRITERIA _____ **62**

14.1.	PRIMARY CRITERIA _____	62
14.2.	ADDITIONAL CRITERIA _____	63
15.0	APPLICATION REVIEW AND SELECTION PROCESS _____	64
15.1.	APPLICATION REVIEW _____	64
15.2.	PROJECT SELECTION _____	64
16.0	GRANT AWARD AND CONTRACTING _____	64
16.1.	NOTICE TO PROCEED _____	65
16.2.	CONTRACT TERM _____	65
16.3.	CONTRACTOR EVALUATION _____	65
17.0	CONSIDERATION OF APPLICATION IN FUTURE GRANT ROUNDS _____	66
	APPENDIX A: MAP OF ELIGIBLE COUNTIES _____	67
	APPENDIX B: DESIGNATED ACTIVITY LIFE _____	69
	APPENDIX C: GROSS VEHICLE WEIGHT RATING INSTRUCTIONS _____	71
	APPENDIX D: WAIVER OF CERTAIN ELIGIBILITY REQUIREMENTS _____	73
	ATTACHMENT TO APPENDIX D _____	79
	APPENDIX E: ALTERNATIVE DISPOSITION REQUEST PROCEDURES FOR LOCOMOTIVE REPLACEMENT PROJECTS _____	81
	APPENDIX F: SPECIAL CONSIDERATION FOR VEHICLES AND EQUIPMENT DAMAGED OR DESTROYED BY HURRICANE HARVEY _____	83

**Texas Commission on Environmental Quality (TCEQ)
Texas Emissions Reduction Plan (TERP)**

**EMISSIONS REDUCTION INCENTIVE GRANTS (ERIG)
Request for Grant Applications (RFGA)
Fiscal Year (FY) 2018**

**Grants for Projects to
Reduce Emissions of Nitrogen Oxides (NO_x)**

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 equipment in the nonattainment areas and other areas of Texas. Incentive funding is available for activities that will reduce the emissions of nitrogen oxides (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 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 adopted the *Texas Emissions Reduction Plan: Guidelines for Emissions Reduction Incentive Grants*, RG-388, (guidelines) which contain the more specific standards governing this program.

1.2. TERP OBJECTIVES

The objectives of the TERP are to:

- achieve maximum reductions in NO_x to demonstrate compliance with the state implementation plan
- prevent areas of the state from being in violation of national ambient air quality standards;
- achieve cost-saving and multiple benefits by reducing emissions of other pollutants;
- achieve reductions of pollutants emitted in diesel exhaust from school buses; and
- advance new technologies that reduce NO_x emissions and other emissions from facilities and stationary sources.

1.3. PROGRAM GUIDELINES

The guidelines, grant application forms, grant application form instructions, an example contract, and a copy of this Request for Grant Applications (RFGA) may be viewed and downloaded from the TERP website 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 Request for Grant Applications (RFGA), the guidelines, and any instructions included with the application and this RFGA.

2.0 PROJECT CRITERIA

2.1. ELIGIBLE APPLICANTS AND AREAS

General eligibility requirements are contained in Chapter 3 and 4 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 primarily in one or more of the eligible counties, 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.

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.

The application forms include a section for applicants to certify that the applicant meets the small business definition. This information will be used for tracking purposes only. Under this program, a small business is defined as a person who:

1. owns and operates not more than five vehicles or pieces of equipment, one of which is:
 - a) an on-road heavy-duty vehicle; or
 - b) a non-road piece of equipment; and
2. has owned the vehicle or equipment described under (1)(a) or (b) above for at least the two years immediately preceding the date of application.

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.

This RFGA 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.

For this grant funding period, the eligible counties (grouped by area) include:

- a) Austin Area: Bastrop, Caldwell, Hays, Travis, and Williamson Counties
- b) Beaumont-Port Arthur Area: Hardin, Jefferson, and Orange Counties
- c) Corpus Christi Area: Nueces and San Patricio Counties
- d) Dallas-Fort Worth Area: Collin, Dallas, Denton, Ellis, Henderson, Hood, Hunt, Johnson, Kaufman, Parker, Rockwall, Tarrant, and Wise Counties
- e) El Paso Area: El Paso County
- f) Houston-Galveston-Brazoria Area: Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, and Waller Counties
- g) San Antonio Area: Bexar, Comal, Guadalupe, and Wilson Counties
- h) Tyler-Longview Area: Gregg, Harrison, Rusk, Smith, and Upshur Counties
- i) Victoria Area: Victoria County

A map of the eligible counties is provided in Appendix A.

2.2. 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 RFGA may also contain additional requirements that apply to this application period. Potential applicants should review this RFGA and the guidelines to determine if a proposed project is eligible. Information to assist in completing the application is provided in Appendices B-E and the grant application form instructions.

Activities that may be eligible under this program are outlined below. The TCEQ may waive certain eligibility requirements on a finding of good cause. Waiver request procedures are explained in detail in Appendix D of this RFGA.

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 RFGA.

With the exception of certain refueling infrastructure and on-site electrification and idle reduction infrastructure projects, a project application may only include activities involving one type of emission source and project category. Projects involving different emission sources or project categories should be applied for on separate applications. Please discuss any questions with TERP staff before submitting an application.

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 at or under the limit.

2.2.1. On-Road Heavy-Duty Vehicles.

On-road heavy-duty vehicles with a gross vehicle weight rating (GVWR) of 8,501 lbs. or more are eligible for grants under this program. This does not include a vehicle over 8,500 pounds classified by the Environmental Protection Agency (EPA) as a medium-duty passenger vehicle subject to the federal light-duty vehicle emission standards.

There are specific requirements for the new purchase or lease, replacement, repower, retrofit or add-on of emission-reduction technology, and dual-fuel conversion of on-road heavy-duty vehicles. Listed below is a summary of eligible activities. For complete information, please refer to Appendix 1 of the guidelines.

1) Purchase or Lease of On-Road Heavy-Duty Vehicles (fleet expansion)

To be eligible for funding, the new vehicle must be **certified to emit 25% less NO_x than required under the current federal emission 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 **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 \$17,500 or less. The incremental cost is the difference between the manufacturer's suggested retail price (MSRP) of a baseline vehicle, 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.

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 unless otherwise approved by the TCEQ, the lease period must extend for at least 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 \$17,500 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 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

This category is for the replacement of an on-road heavy-duty vehicle with a newer on-road heavy-duty vehicle. **The model year of the replacement vehicle must be 2015 or newer.** For this category, the applicant must be replacing a vehicle with a remaining useful life consistent with the Activity Life selected in the application. 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% less NO_x than the vehicle being replaced.** Certification means approved by the EPA, the CARB, or otherwise accepted by the TCEQ.

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

- a) The applicant must own the vehicle at the time of application, and must have continuously owned, commercially financed, or leased the vehicle and have been listed as the owner on the title or the lessee on the lease agreement for the two years immediately preceding the application date.
- b) Unless the vocational type of the vehicle is exempt from inspection and registration requirements, the vehicle must currently be registered for operation in Texas and must have been continuously inspected and registered in Texas for the two years immediately preceding the application date.
- c) Applicants must submit documentation with the application to show compliance with the ownership or lease and registration requirements, including a copy of the vehicle title or lease agreement for the two years immediately preceding the submission of the grant application.
- d) Vehicles with apportioned registration to allow for operation in multiple states must have been operated in Texas for at least 75% of its annual mileage for the two years immediately preceding the application date. Applicants are required to submit quarterly usage summaries for the previous two years that include accurate dates and miles driven in each registered state. Acceptable usage documentation may include Individual Vehicle Distance Records (IVDR) required under the International Registration Plan (IRP), and other similar travel records.
- e) The vehicle must have been used in its primary function in the routine operations of the applicant in Texas for the two years immediately preceding the application date.

Harvey Exception. The TCEQ is providing an exception to the requirement that a vehicle to be replaced is currently being used in its primary function in the routine operations of the applicant, if the vehicle is not currently being used due to damage or destruction caused by Harvey. In addition to the project application forms, applicants applying under a Harvey exception should review the instructions for special consideration outlined in Appendix F, and complete Supplemental Form 1: Harvey Exception. Supplemental Form 1: Harvey Exception may be viewed and downloaded from the TERP website www.terpgrants.org. This exception does not apply to entities who experienced interruptions in their daily business operations as a result of Harvey, but whose vehicle did not sustain damage from Harvey. Applicants who are not able to meet the usage requirements due to interruptions in their daily business operations as a result of Harvey may request a waiver by following the waiver process outlined in Appendix D.

Eligible projects include the ***like-for-like* replacement of vehicles**. The TCEQ will evaluate whether the proposed replacement vehicle would be used for the same primary function as the equipment being replaced. Some, but not all, situations that may be considered are listed below:

- a) All replacement on-road vehicles must be of the same vehicle type, weight category, and body and axle configuration as the vehicle being replaced. The TCEQ will consider, case-by-case, vehicles of a different type, weight category, and/or body and axle configuration, providing the new vehicle is configured and will be used for the same purpose. For GVWR instructions, please refer to Appendix C.
- b) Class 8a Tandem Axle Vehicles that have been operating under an overweight permit to allow operation at over 60,000 pounds for at least one year immediately preceding the application date may, subject to approval by TCEQ, be replaced with a vehicle of the same type and configuration and with an additional axle to allow the vehicle to operate on federal highways at the same weight range as was allowed under the overweight permit.
- c) Class 8a Tandem Axle Cement/Concrete Trucks that have been operating under an overweight permit or bond to allow operation at over 60,000 pounds for at least one year immediately preceding the application may, subject to TCEQ approval, be replaced with a cement/concrete truck having up to two additional axles, a stinger or pusher axle extending from the rear of the truck and one supplemental drop down or tag axle located on the frame before the regular tandem axles.
- d) Dump trucks, regardless of the configuration of the vehicle being replaced, may not be replaced with a dump truck that has a sleeper cab.

- e) Terminal tractors used at port facilities and other intermodal delivery and transportation facilities, commonly referred to as terminal tractors or yard trucks, may be configured and certified for either on-road or non-road use. All projects involving terminal tractors will be considered non-road projects. The emission rates used for the calculations will be based on the emission standard or family emissions limit (FEL) to which the engine is certified (on-road or non-road), while the load factor and default hours of operation will be based on the factors applicable to non-road terminal tractors. Applicants will need to commit to ensuring that an on-road terminal tractor purchased under the program will have an hour meter installed to track hours of operation of the engine.
- f) An on-road tractor-trailer combination vehicle (haul truck) used as a terminal tractor at port facilities and other intermodal delivery and transportation facilities may be replaced with a purpose-built terminal tractor, but may not be replaced with another haul truck. For these projects, the applicant should contact TERP staff for direction on calculating the emissions reductions for a project to replace an on-road vehicle with a purpose-built non-road vehicle/equipment.
- g) On-road vehicles used for non-road purposes may only be replaced with a vehicle or non-road equipment that is purpose-built for that non-road purpose. Unless a waiver is granted by the TCEQ, projects must meet the on-road eligibility requirements. Waiver request procedures are explained in detail in Appendix D of this RFGA.

Eligible Costs

The grant recipient may be eligible for reimbursement of up to 80% 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 \$17,500 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 Global Positioning System (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 TERP GPS Monitoring Service (TGMS) Contractor, Precision Tracking Solutions, Inc., authorized by and contracted with the TCEQ to provide the system. Refer to the TERP website www.terpgrants.org to obtain the latest price and contact information, or you may contact them directly at 972-693-7006.

3) Repower of On-Road Heavy-Duty Vehicles

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.

In general, repower activities included under a grant project application may have already been started prior to the awarding of a grant. However, expenses to be reimbursed under a repower grant may not have been incurred prior to 12 months before the deadline for application submission.

The upgrade of an engine with an emissions upgrade kit certified by the EPA or CARB may also be considered under the repower category.

The replacement engine or upgrade kit must be **certified to emit 25% less NO_x than the engine being replaced**, based on the federal standard for that engine. Certification means approved by the EPA, the CARB, or otherwise accepted by the TCEQ.

The TCEQ will evaluate whether the engine being replaced **would have otherwise been used in Texas for the period within which the emission reductions will be claimed**. Unless a waiver is granted by the TCEQ, the standards that apply are listed below:

- a) The applicant must own the vehicle at the time of application, and must have continuously owned, commercially financed, or leased the vehicle and have been listed as the owner on the title or the lessee on the lease agreement for a minimum of two years immediately preceding the application date.
- b) Unless the vocational type of the vehicle is exempt from inspection and registration requirements, the vehicle must currently be registered for operation in Texas and must have been continuously inspected and registered in Texas for the two years immediately preceding the application date.
- c) Applicants must submit documentation with the application to show compliance with the ownership or lease and registration requirements, including a copy of the vehicle title or lease agreement for the two years immediately preceding the submission of the grant application.
- d) Vehicles with apportioned registration to allow for operation in multiple states must have been operated in Texas for at least 75% of its annual mileage for at least the two years immediately preceding the application date. Applicants are required to submit quarterly usage summaries for the previous two years that include accurate dates and miles driven in each registered state. Acceptable usage documentation may include Individual Vehicle Distance Records (IVDR) required under the International Registration Plan (IRP), and other similar travel records.

- e) The vehicle must have been continuously used in Texas, in its primary function in the routine operations of the applicant, for the two years immediately preceding the grant application date, and be capable of performing its primary function for the duration of the project Activity Life.

Harvey Exception. The TCEQ is providing an exception to the requirement that a vehicle to be replaced is currently being used in its primary function in the routine operations of the applicant, if the vehicle is not currently being used due to damage or destruction caused by Harvey. In addition to the project application forms, applicants applying under a Harvey exception should review the instructions for special consideration outlined in Appendix F, and complete Supplemental Form 1: Harvey Exception. Supplemental Form 1: Harvey Exception may be viewed and downloaded from the TERP website www.terpgrants.org. This exception does not apply to entities who experienced interruptions in their daily business operations as a result of Harvey, but whose vehicle did not sustain damage from Harvey. Applicants who are not able to meet the usage requirements due to interruptions in their daily business operations as a result of Harvey may request a waiver by following the waiver process outlined in Appendix D.

Eligible Costs

The grant recipient may be eligible for reimbursement of up to 80% 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 \$17,500 or less. The incremental cost is the cost to purchase and install the replacement engine and associated equipment, minus the scrap value of the old engine. The TCEQ will establish a default scrap value of \$250. 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 Global Positioning System (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 TERP GPS Monitoring Service (TGMS) Contractor, Precision Tracking Solutions, Inc., authorized by and contracted with the TCEQ to provide the system. Refer to the TERP website www.terpgrants.org to obtain the latest price and contact information, or you may contact them directly at 972-693-7006.

4) **Retrofit or Add-On of Emission-Reduction Technology**

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

Except for retrofits with certain dual-fuel conversion systems as explained below, to be eligible for funding, the equipment must be **certified or verified to emit at least 25% less NO_x than the engine prior to the retrofit or add-on**. Certification or verification means approved by the EPA, the CARB, or otherwise accepted by the TCEQ.

The TCEQ will evaluate whether the vehicle/engine being retrofitted would have otherwise been used in Texas for the period within which the emission reductions will be claimed. Unless a waiver is granted by the TCEQ, the standards that apply are listed below:

- a) The applicant must own the vehicle at the time of application, and must have continuously owned, commercially financed, or leased the vehicle and have been listed as the owner on the title or the lessee on the lease agreement for a minimum of two years immediately preceding the application date.
- b) Unless the vocational type of the vehicle is exempt from inspection and registration requirements, the vehicle must currently be registered for operation in Texas and must have been continuously inspected and registered in Texas for the two years immediately preceding the application date.
- c) Applicants must submit documentation with the application to show compliance with the ownership or lease and registration requirements, including a copy of the vehicle title or lease agreement for the two years immediately preceding the submission of the grant application.

- d) Vehicles with apportioned registrations to allow for operation in multiple states must have been operated in Texas for at least 75% of its total use over a two year-period. Applicants are required to submit quarterly usage summaries for the previous two years that include accurate dates and miles driven in each registered state. Acceptable usage documentation may include Individual Vehicle Distance Records (IVDR) required under the International Registration Plan (IRP), and other similar travel records.
- e) The vehicle must have been continuously used in Texas, in its primary function in the routine operations of the applicant, for the two years immediately preceding the submission of the grant application, and be capable of performing its primary function for the duration of the project Activity Life.

Retrofits with Dual-Fuel Conversion Systems

Under this RFGA, applicants may apply for a retrofit activity with a dual-fuel conversion system. The same requirements for retrofit activities will apply to these projects.

In addition, the dual-fuel system must be certified or approved by the EPA and/or CARB and accepted by the TCEQ for the conversion of an on-road heavy-duty diesel engine to operate under a dual-fuel configuration that uses natural gas and diesel fuel in combination. For dual-fuel conversion systems, the system must have been accepted by the TCEQ, including a determination that the system will result in a reduction in NO_x emissions of at least 10%.

A dual-fuel conversion system for on-road engines must have been certified or approved by the EPA and/or the CARB under procedures for approval of alternative fuel conversion systems and must have been assigned an engine or vehicle family name/test group number.

The review and acceptance of a dual-fuel conversion system is outside of the application process and must have been completed before the TCEQ may consider an application for a retrofit activity involving one of these systems. To request that a dual-fuel conversion system be considered by the TCEQ, the system manufacturer must submit information to the TCEQ according to procedures available on the TERP website at www.terpgrants.org or by calling the TERP toll-free number a 1-800-919-TERP (8377).

The TCEQ will consider the request from the manufacturer and provide an acceptance or denial letter to the manufacturer. A list of accepted dual-fuel conversion systems will be posted on the TERP website and information regarding whether a system has been accepted may also be obtained by calling the TERP toll-free number.

The acceptance letter will include the TCEQ's determination of a percentage emissions reduction factor to be used in determining the NO_x emissions reductions attributable to the installation of the system on a particular engine. The acceptance letter will only apply to those engine models and model years covered by the EPA and/or CARB approval for the particular vehicle or engine family/test group of the conversion system.

The percentage emissions reduction factor should be entered on the application form when applying for a retrofit activity for installation of an accepted dual-fuel conversion system.

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 \$17,500 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 Global Positioning System (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 TERP GPS Monitoring Service (TGMS) Contractor, Precision Tracking Solutions, Inc., authorized by and contracted with the TCEQ to provide the system. Refer to the TERP website www.terpgrants.org to obtain the latest price and contact information, or you may contact them directly at 972-693-7006.

2.2.2. Non-Road Equipment.

Non-road equipment powered by an engine rated at 25 horsepower (hp) or greater is eligible for grants under this program. For replacement and repower projects, this requirement refers to the horsepower of the engine being replaced only 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, and dual-fuel conversion of non-road equipment. Listed below is a summary of eligible activities. For complete information, please refer to Appendix 2 of the guidelines.

For the emissions reduction calculations, the TCEQ will use a horsepower for the new equipment/engine that is 110% of the old equipment/engine horsepower, regardless of the horsepower listed in the application for the new equipment. Applicants should still list the actual maximum rated brake horsepower for both the old and the new engines in the application, but the TCEQ will calculate the emissions reductions under this approach.

See the Non-Road Technical Supplement available with the application forms for the calculation methodology.

1) Purchase or Lease of Non-Road Equipment (fleet expansion)

To be eligible for funding, the engine on the new piece of equipment must be **certified to emit at least 25% less NO_x than required under the current federal standard for that horsepower of a non-road engine**. Certification means approved by the EPA, the CARB, or otherwise accepted by the TCEQ.

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 \$17,500 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.

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 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 \$17,500 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 piece of 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

This category is for the replacement of non-road equipment with new or newer non-road equipment. The equipment being purchased as a replacement may not have been purchased prior to the opening of the application period unless a Harvey Exception is approved by the TCEQ. **The manufacture year of the engine installed on the replacement non-road equipment must be 2015 or newer.**

For this category, the applicant must be replacing a piece of equipment with a remaining useful life consistent with the Activity Life selected in the application. 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% less NO_x than the engine being replaced.** Certification means approved by the EPA, the CARB, or otherwise accepted by the TCEQ.

For a replacement project, the TCEQ will evaluate whether the equipment being replaced **would have otherwise been used in Texas for the period within which the emissions reductions will be claimed.** Unless a waiver is granted by the TCEQ, the standards that apply are listed below:

- a) The applicant must have continuously owned the equipment for a minimum of two years immediately preceding the grant application date.
- b) The applicant must provide proof of ownership, which may include a copy of the bill of sale, maintenance records, or in some cases a title.
- c) The equipment must have been continuously used in Texas, in its primary function in the routine operations of the applicant, for the two years immediately preceding the grant application date, and be capable of performing its primary function for the duration of the project Activity Life.

Harvey Exception. The TCEQ is providing an exception to the requirement that equipment to be replaced is currently being used in its primary function in the routine operations of the applicant, if the equipment is not currently being used due to damage or destruction caused by Harvey. In addition to the project application forms, applicants applying under a Harvey exception should review the instructions for special consideration outlined in Appendix F, and complete Supplemental Form 1: Harvey Exception. Supplemental Form 1: Harvey Exception may be viewed and downloaded from the TERP website www.terpgrants.org. This exception does not apply to entities who experienced interruptions in their daily business operations as a result of Harvey, but whose equipment did not sustain damage from Harvey. Applicants who are not able to meet the usage requirements due to interruptions in their daily business operations as a result of Harvey may request a waiver by following the waiver process outlined in Appendix D.

Eligible projects include the **like-for-like replacement of equipment**. The TCEQ will evaluate whether the proposed replacement equipment is manufactured for and intended to be used for the same primary function as the equipment being replaced.

- a) **All non-road equipment** must have the same general cab and body type, the same number of axles and wheels or tracks, and have the same or similar power configuration as the equipment being replaced. Under this RFGA, the TCEQ will consider, case-by-case, equipment with a different cab and body type, number of axles and wheels or tracks, or power configuration providing the new equipment is configured and will be used for the same purpose.
- b) **Terminal tractors** used at port facilities and other intermodal delivery and transportation facilities, commonly referred to as terminal tractors or yard trucks, may be configured and certified for either on-road or non-road use. **All projects involving terminal tractors will be considered non-road projects.**
- c) The emission rates used for the calculations will be based on the emission standard or family emissions limit to which the engine is certified (on-road or non-road), while the load factor and default hours of operation will be based on the factors applicable to non-road terminal tractors. Applicants must commit to installing an hour meter in replacement on-road terminal tractors to track hours of operation of the engine.
- d) **An on-road tractor-trailer combination truck (haul truck) used as a terminal tractor** at port facilities and other intermodal delivery and transportation facilities may be replaced with a purpose-built terminal tractor, but may not be replaced with another haul truck. For these projects, the applicant should contact TERP staff for direction on calculating the emission reductions for a project to replace an on-road vehicle with a purpose built non-road vehicle/equipment.
- e) **On-road vehicles used for non-road purposes** may only be replaced with a vehicle or non-road equipment that is purpose-built for that non-road purpose. Unless a waiver is granted by the TCEQ, projects must meet the on-road eligibility requirements. Waiver request procedures are explained in detail in Appendix D of this RFGA.

Eligible Costs

The grant recipient may be eligible for reimbursement of up to 80% 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 \$17,500 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 Global Positioning System (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 TERP GPS Monitoring Service (TGMS) Contractor, Precision Tracking Solutions, Inc., authorized by and contracted with the TCEQ to provide the system. Refer to the TERP website www.terpgrants.org to obtain the latest price and contact information, or you may contact them directly at 972-693-7006.

3) **Repower of Non-Road Equipment**

(Refer to Appendix 2 of the guidelines)

This category is for the replacement (repower) of an existing engine on a non-road piece of equipment with a new, rebuilt, or remanufactured engine. In general, repower activities included under a grant project application may have already been started prior to the awarding of a grant. However, expenses to be reimbursed under a repower grant may not have been incurred prior to 12 months before the deadline for application submission.

The engine must be **certified to emit at least 25% less NO_x than 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 non-road engine emissions upgrade rebuild kit certified or verified by the EPA or CARB to result in a reduction in NO_x emissions of at least 25% 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. In accordance with EPA or CARB requirements, an upgrade label 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.

Unless a waiver is granted by the TCEQ, the standards that apply are listed below.

- a) The applicant must have continuously owned the equipment for a minimum of two years immediately preceding the grant application date.
- b) The applicant must provide proof of ownership, which may include a copy of the bill of sale, maintenance records, or in some cases a title.
- c) The equipment must have been continuously used in Texas, in its primary function in the routine operations of the applicant, for the two years immediately preceding the application date, and be capable of performing its primary function for the duration of the project Activity Life.

Harvey Exception. The TCEQ is providing an exception to the requirement that equipment to be replaced is currently being used in its primary function in the routine operations of the applicant, if the equipment is not currently being used due to damage or destruction caused by Harvey. In addition to the project application forms, applicants applying under a Harvey exception should review the instructions for special consideration outlined in Appendix F, and complete Supplemental Form 1: Harvey Exception. Supplemental Form 1: Harvey Exception may be viewed and downloaded from the TERP website www.terpgrants.org. This exception does not apply to entities who experienced interruptions in their daily business operations as a result of Harvey, but whose equipment did not sustain damage from Harvey. Applicants who are not able to meet the usage requirements due to interruptions in their daily business operations as a result of Harvey may request a waiver by following the waiver process outlined in Appendix D.

Eligible Costs

The grant recipient may be eligible for reimbursement of up to 80% 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 \$17,500 or less. The incremental cost is the cost to purchase and install the replacement engine and associated equipment, minus the scrap value or, if approved by the TCEQ, the trade-in value of the old engine. The TCEQ will establish a default scrap value of \$250. 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 Global Positioning System (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 TERP GPS Monitoring Service (TGMS) Contractor, Precision Tracking Solutions, Inc., authorized by and contracted with the TCEQ to provide the system. Refer to the TERP website www.terpgrants.org to obtain the latest price and contact information, or you may contact them directly at 972-693-7006.

4) **Retrofit or Add-On of Emission-Reduction Technology**

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

Except for retrofits with certain dual-fuel conversion systems as explained below, to be eligible for funding, the equipment must **be certified or verified to emit at least 25% less NO_x than the engine prior to the retrofit or add-on**. Certification means approved by the EPA, the CARB, or otherwise accepted by the TCEQ. For retrofit projects involving dual-fuel technology, the applicant must own the equipment at the time the request for reimbursement is submitted to the TCEQ.

Unless a waiver is granted by the TCEQ, the standards that apply are listed below:

- a) The applicant must have continuously owned the equipment for a minimum of two years immediately preceding the grant application date.
- b) The applicant must provide proof of ownership, which may include a copy of the bill of sale, maintenance records, or in some cases a title.
- c) The equipment must have been continuously used in Texas, in its primary function in the routine operations of the applicant, for the two years immediately preceding the application date, and be capable of performing its primary function for the duration of the project Activity Life.

Retrofits with Dual-Fuel Conversion Systems

Under this RFGA, applicants may apply for a retrofit activity with a dual-fuel conversion system. The applicant must own the equipment at the time the request for reimbursement is submitted to the TCEQ. The dual-fuel system must be certified by the EPA and/or CARB and accepted by the TCEQ for the conversion of a non-road heavy-duty diesel engine to operate under a dual-fuel configuration that uses natural gas and diesel fuel in combination. For dual-fuel conversion systems, the system must have been accepted by the TCEQ, including a determination that the system will result in a reduction in NO_x emissions of at least 10%.

A dual-fuel conversion system for non-road engines must have been approved by the EPA under a **Field Fix** approval applicable to one or more non-road engine families/test groups or certified by CARB. Note that the EPA Field Fix approval process is currently only available to the Original Equipment Manufacturer (OEM) of the engine. Therefore, systems manufactured by a third-party manufacturer may not be eligible to be considered by the TCEQ under this approach unless the manufacturer of the system has obtained CARB certification.

The review and acceptance of a dual-fuel conversion system is outside of the application process and must have been completed before the TCEQ may consider an application for a retrofit activity involving one of these systems.

To request that a dual-fuel conversion system be considered by the TCEQ, the system manufacturer must submit information to the TCEQ according to procedures available on the TERP website at www.terpgrants.org or by calling the TERP toll-free number a 1-800-919-TERP (8377).

The TCEQ will consider the request from the manufacturer and provide an acceptance or denial letter to the manufacturer. Copies of letters accepting a dual-fuel conversion system will also be posted on the TERP website and information regarding whether a system has been accepted may also be obtained by calling the TERP toll-free number.

The acceptance letter will include the TCEQ's determination of a percentage emissions reduction factor to be used in determining the NO_x emissions reductions attributable to the installation of the system on a particular engine. The acceptance letter will only apply to those engine models and model years covered by the EPA Field Fix approval. The percentage emissions reduction factor should be entered on the application form when applying for a retrofit activity for installation of an accepted dual-fuel conversion system.

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 \$17,500 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 Global Positioning System (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 TERP GPS Monitoring Service (TGMS) Contractor, Precision Tracking Solutions, Inc., authorized by and contracted with the TCEQ to provide the system. Refer to the TERP website www.terpgrants.org to obtain the latest price and contact information, or you may contact them directly at 972-693-7006.

2.2.3. 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 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, and retrofit or add-on of emission-reduction technology for marine vessels. Listed below is a summary of eligible activities. For complete information, please refer to Appendix 3 of the guidelines.

1) Purchase or Lease of New Marine Vessels (fleet expansion)

To be eligible for funding, the engine on the new marine vessel must be **certified to emit at least 25% less NO_x emissions than required under the current standard for that engine**. Certification means approved by the EPA, the CARB, or otherwise accepted by the TCEQ.

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 \$12,500 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.

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 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 \$12,500 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.

2) **Replacement of Marine Vessels**

This category is for the replacement of marine vessels with a new or newer marine vessel. **The manufacture year of the engines installed on the replacement marine vessel must be 2015 or newer.** For this category, the applicant must be replacing a vessel with a remaining useful life consistent with the Activity Life selected in the application. 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% 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 EPA, the 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 Texas waterways** for at least the duration of the Activity Life. Unless a waiver is granted by the TCEQ, the standards that apply are listed below:

- a) The applicant must have continuously owned the vessel for a minimum of two years immediately preceding the application date.

- b) The vessel must currently be registered for operation in Texas, including United States Coast Guard documentation and/or Texas Registration as applicable, and must have been continuously documented/registered and used in Texas waters for the two years immediately preceding the application date.
- c) The applicant must provide proof of ownership, which may include a copy of the bill of sale, maintenance records, or in some cases a title.
- d) The vessel must have been continuously used in Texas, in its primary function in the routine operations of the applicant, for the two years immediately preceding the submission of the grant application, and be capable of performing its primary function for the duration of the project Activity Life.

Eligible Costs

The grant recipient may be eligible for reimbursement of up to 80% 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 \$12,500 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 Global Positioning System (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 TERP GPS Monitoring Service (TGMS) Contractor, Precision Tracking Solutions, Inc., authorized by and contracted with the TCEQ to provide the system. Refer to the TERP website www.terpgrants.org to obtain the latest price and contact information, or you may contact them directly at 972-693-7006.

3) Repower of Marine Vessels

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% less NO_x emissions than the engine being replaced**, based on the standard for that engine. Certification means approved by EPA, the 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% 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.

Unless a waiver is granted by the TCEQ, the standards that apply are listed below:

- a) The applicant must have continuously owned the vessel for a minimum of two years immediately preceding the application date.
- b) The vessel must currently be registered for operation in Texas, including United States Coast Guard documentation and/or Texas Registration as applicable, and must have been continuously documented/registered and used in Texas waters for the two years immediately preceding the application date.
- c) The applicant must provide proof of ownership, which may include a copy of the bill of sale, maintenance records, or in some cases a title.
- d) The vessel must have been continuously used in Texas, in its primary function in the routine operations of the applicant, for the two years immediately preceding the submission of the grant application, and be capable of performing its primary function for the duration of the project Activity Life.

Eligible Costs

The grant recipient may be eligible for reimbursement of up to 80% 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 \$12,500 or less. The incremental cost is the cost to purchase and install the replacement engine and associated equipment, minus the scrap value or, if approved by the 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 Global Positioning System (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 TERP GPS Monitoring Service (TGMS) Contractor, Precision Tracking Solutions, Inc., authorized by and contracted with the TCEQ to provide the system. Refer to the TERP website www.terpgrants.org to obtain the latest price and contact information, or you may contact them directly at 972-693-7006.

4) **Retrofit or Add-On of Emission-Reduction Technology**

This category is for the retrofit of or add-on of emissions-reduction technology to 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% less NO_x emissions than the engine(s) prior to the retrofit or add-on**. Certification means approved by the EPA, CARB, or otherwise accepted by the TCEQ.

Unless a waiver is granted by the TCEQ, the standards that apply are listed below:

- a) The applicant must have continuously owned the vessel for a minimum of two years immediately preceding the application date.
- b) The vessel must currently be registered for operation in Texas, including Coast Guard documentation and/or Texas Registration as applicable, and must have been continuously documented/registered and used in Texas waters for the two years immediately preceding the application date.
- c) The applicant must provide proof of ownership, which may include a copy of the bill of sale, maintenance records, or in some cases a title.
- d) The vessel must have been continuously used in Texas, in its primary function in the routine operations of the applicant, for the two years immediately preceding the submission of the grant application, and be capable of performing its primary function for the duration of the project Activity Life.

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 \$12,500 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 Global Positioning System (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 TERP GPS Monitoring Service (TGMS) Contractor, Precision Tracking Solutions, Inc., authorized by and contracted with the TCEQ to provide the system. Refer to the TERP website www.terpgrants.org to obtain the latest price and contact information, or you may contact them directly at 972-693-7006.

2.2.4. 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.

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

1) Purchase or Lease of Locomotives (fleet expansion)

To be eligible for funding, the engine on the new locomotive must be **certified to emit at least 25% less NO_x emissions than required under the current federal standard for that engine**. Certification means approved by EPA, the CARB, or otherwise accepted by the TCEQ.

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 \$12,500 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. Applicants should contact TERP staff to discuss how a baseline locomotive may be considered before applying under the new purchase or lease category.

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 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 \$12,500 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.

2) Replacement of Locomotives

This category is for the replacement of a locomotive with a new or newer locomotive. **The year of manufacture of the engine installed on the replacement locomotive must be 2015 or newer**. For this category, the applicant must be replacing a locomotive with a remaining useful life consistent with the Activity Life selected in the application. 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% less NO_x than the engine being replaced**, based on the federal standard for that engine. Certification means approved by EPA, the 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 Texas for the period within which the emission reductions will be claimed**.

Replacement of a locomotive over 1,005 horsepower with a locomotive 1,005 or less horsepower will be considered by TCEQ, case-by-case, if it is shown that the design of the lower horsepower locomotive allows it to perform the same switcher functions that the higher horsepower locomotive was performing. The project should still be applied for using the locomotive application forms and standard fuel usage rates.

Unless a waiver is granted by the TCEQ, the standards that apply are listed below:

- a) The applicant must have continuously owned the locomotive for a minimum of two years immediately preceding the grant application date.
- b) The applicant must provide proof of ownership, which may include a copy of the bill of sale, maintenance records, or in some cases a title.
- c) The locomotive must have been continuously located and used in Texas, in its primary function in the routine operations of the applicant, for the two years immediately preceding the grant application date, and be capable of performing its primary function for the duration of the project Activity Life at the time the application is submitted.

Eligible Costs

The grant recipient may be eligible for reimbursement of up to 80% 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 \$12,500 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 Global Positioning System (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 TERP GPS Monitoring Service (TGMS) Contractor, Precision Tracking Solutions, Inc., authorized by and contracted with the TCEQ to provide the system. Refer to the TERP website www.terpgrants.org to obtain the latest price and contact information, or you may contact them directly at 972-693-7006.

3) Repower of Locomotives

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

The engine must be **certified to emit at least 25% less NO_x than the engine being replaced**, based on the federal standard for that engine. Certification means approved by EPA, the CARB, or otherwise accepted by the TCEQ.

Unless a wavier is granted by the TCEQ, the standards that apply are listed below.

- a) The applicant must have continuously owned the locomotive for a minimum of two years immediately preceding the grant application date.
- b) The applicant must provide proof of ownership, which may include a copy of the bill of sale, maintenance records, or in some cases a title.
- c) The locomotive must have been continuously located and used in Texas, in its primary function in the routine operations of the applicant, for the two years immediately preceding the grant application date, and be capable of performing its primary function for the duration of the project Activity Life at the time the application is submitted.
- d) Subject to approval by the TCEQ, a locomotive engine low-NOX 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.
- e) Eligible rebuilt or remanufactured engines must use original 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 up to 80% 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 \$12,500 or less. The incremental cost is the cost to purchase and install the replacement engine and associated equipment, minus the scrap value or, if approved by the 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 Global Positioning System (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 TERP GPS Monitoring Service (TGMS) Contractor, Precision Tracking Solutions, Inc., authorized by and contracted with the TCEQ to provide the system. Refer to the TERP website www.terpgrants.org to obtain the latest price and contact information, or you may contact them directly at 972-693-7006.

For repowers that also involve remanufacturing of the locomotive, the price quote should include a detailed breakdown of those costs necessary for installation and operation of the new engine and associated drive components unique to that new engine and those costs associated with other components that are part of the overall remanufacture of the locomotive. If detailed information that certain costs should be considered part of the repower are not included, the TCEQ may be forced to only consider those costs it determines are directly related to the engine purchase and installation.

4) **Retrofit or Add-On of Emission-Reduction Technology**

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% less NO_x than the engine prior to the retrofit or add-on**. Certification means approved by EPA, the CARB, or otherwise accepted by the TCEQ.

Unless a wavier is granted by the TCEQ, the standards that apply are listed below:

- a) The applicant must have continuously owned the locomotive for a minimum of two years immediately preceding the grant application date.
- b) The applicant must provide proof of ownership, which may include a copy of the bill of sale, maintenance records, or in some cases a title.

- c) The locomotive must have been continuously located and used in Texas, in its primary function in the routine operations of the applicant, for the two years immediately preceding the grant application date, and be capable of performing its primary function for the duration of the project Activity Life at the time the application is submitted.

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 \$12,500 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 Global Positioning System (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 TERP GPS Monitoring Service (TGMS) Contractor, Precision Tracking Solutions, Inc., authorized by and contracted with the TCEQ to provide the system. Refer to the TERP website www.terpgrants.org to obtain the latest price and contact information, or you may contact them directly at 972-693-7006.

2.2.5. Stationary Equipment.

Activities involving stationary engines of at least 25 horsepower (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, and 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) **Purchase or Lease of New Stationary Equipment (fleet expansion)**

To be eligible for funding, the engine on the new piece of equipment must be **certified to emit at least 25% less NO_x than required under the current standard for that horsepower of engine**. Certification means approved by EPA, the CARB, or otherwise accepted by the TCEQ.

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 \$17,500 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.

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 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 \$17,500 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.

2) Replacement of Stationary Equipment

This category is for the replacement of stationary equipment with a new or newer piece of equipment. **The manufacture year of the engines installed on the replacement equipment must be 2015 or newer.** 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.

- a) The engine on the replacement equipment must be **certified to emit at least 25% less NO_x than the engine being replaced.** Certification means approved by EPA, the CARB, or otherwise accepted by the TCEQ.
- b) 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.
- c) For a replacement project, the TCEQ will evaluate whether the equipment being replaced **would have otherwise been used in Texas for** at least the duration of the Activity Life.
- d) Unless a waiver is granted by the TCEQ, the standards that apply are listed below:
- e) The applicant must have continuously owned the equipment for a minimum of two years immediately preceding the grant application date.
- f) The applicant must provide proof of ownership, which may include a copy of the bill of sale, maintenance records, or in some cases a title.
- g) The equipment must have been continuously located and used in Texas, in its primary function in the routine operations of the applicant, for the two years immediately preceding the grant application date, and be capable of performing its primary function for the duration of the project Activity Life at the time the application is submitted.

Eligible Costs

The grant recipient may be eligible for reimbursement of up to 80% of the incremental cost of the purchase of the replacement equipment, not to exceed an incentive amount that results in a cost per ton of NO_x reduced of \$17,500 or less. The incremental cost is the cost to purchase the replacement equipment, minus the scrap value of \$1,000 or, if approved by the TCEQ, the trade-in value of the old engine. Eligible costs are listed below.

- 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

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

The equipment must be currently owned by the applicant and the engine must be **certified to emit at least 25% less NO_x than the engine being replaced**, based on the federal standard for that engine. Certification means approved by EPA, the 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.

- Unless a waiver is granted by the TCEQ, the standards that apply are listed below:
- The applicant must have continuously owned the equipment for a minimum of two years immediately preceding the grant application date.
- The applicant must provide proof of ownership, which may include a copy of the bill of sale, maintenance records, or in some cases a title.
- The equipment must have been continuously located and used in Texas, in its primary function in the routine operations of the applicant, for the two years immediately preceding the grant application date, and be capable of performing its primary function for the duration of the project Activity Life at the time the application is submitted.

Eligible Costs

The grant recipient may be eligible for reimbursement of up to 80% 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 \$17,500 or less. The incremental cost is the cost to purchase and install the replacement engine and associated equipment, minus the scrap value of \$250 or, if approved by the TCEQ, the trade-in value of the old engine. Eligible costs are listed below.

- 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**

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 equipment must be **certified or verified to emit at least 25% less NO_x emissions than engine prior to the retrofit or add-on**. Certification means approved by EPA, the CARB, or otherwise accepted by the TCEQ.

- a) Unless a waiver is granted by the TCEQ, the standards that apply are listed below.
- b) The applicant must have continuously owned the equipment for a minimum of two years immediately preceding the grant application date.
- c) The applicant must provide proof of ownership, which may include a copy of the bill of sale, maintenance records, or in some cases a title.
- d) The equipment must have been continuously located and used in Texas, in its primary function in the routine operations of the applicant, for the two years immediately preceding the grant application date, and be capable of performing its primary function for the duration of the project Activity Life at the time the application is submitted.

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 \$17,500 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.

2.2.6. 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 category is not available for installation of an APU or other system for providing air conditioning or heating on trucks with a sleeper berth while the truck is parked to avoid overnight idling.

Eligible Costs

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 \$17,500 or less. For marine vessel and locomotive projects, the cost per ton of NO_x reduced may not exceed \$12,500. Eligible costs are listed below.

- a) Capital Costs – Equipment and Installation
 - Invoice cost of the 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 infrastructure 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 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.

2.2.7. 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 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.

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.

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 more than 12 months prior to the end of the application period (application submission deadline).

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 (application submission deadline).

In general, the applicant should own or lease and operate the vehicles or equipment to be provided fuel from the infrastructure. However, the TCEQ may accept case-by-case applications for projects where the infrastructure owner/operator does not own or lease 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.

The applicant must own and operate the grant-funded equipment for the Activity Life. In general, the applicant should also be the owner of the land and facility at which the infrastructure will be installed. Based on assessed risks, the TCEQ is not obligated to consider an otherwise eligible project where the applicant does not also own the land and facility.

If the TCEQ does consider a project under this situation, the TCEQ may require additional agreements between the applicant and the land and facility owner regarding long-term ownership and operation of the infrastructure.

Eligible Costs

The grant recipient may be eligible for reimbursement of up to 50% 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, on-road vehicles and stationary equipment \$17,500 per ton, marine vessels and locomotives- \$12,500 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 infrastructures 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 application instructions.

2.2.8. 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. 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.

The applicant must own and operate the grant-funded equipment for the Activity Life. In general, the applicant should also be the owner of the land and facility at which the infrastructure will be installed. Based on assessed risks, the TCEQ is not obligated to consider a project where the applicant does not also own the land and facility. If the TCEQ does consider a project under this situation, the TCEQ may require additional agreements between the applicant and the land and facility owner regarding long-term ownership and operation of the infrastructure.

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

Electrification of Vehicles and Equipment

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.

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 before the end date of the application period (application submission deadline).

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 (application submission deadline).

In general, the applicant should own and operate the vehicles or equipment to be provided electricity from the infrastructure. However, the TCEQ may accept case-by-case 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% 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, on-road vehicles and stationary equipment - \$17,500 per ton; marine vessels and locomotives- \$12,500 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 infrastructures 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.

Idle Reduction

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 NO_x emissions in the eligible counties. The NO_x emissions reductions will be calculated based on the reduction in idling NO_x 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:

- vehicles with a GVWR of 14,000 or less;
- vehicles used for military, emergency, or law enforcement purposes;
- use of the propulsion engine for mechanical operation of power-take-off systems;
- 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;
- 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
- use as airport ground support equipment.

Information on the locally-enforced idling restrictions may be found on the TCEQ's website at

<https://www.tceq.texas.gov/airquality/mobilesource/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% 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, on-road vehicles and stationary equipment - \$17,500 per ton, marine vessels and locomotives - \$12,500 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 infrastructures must be purchased and not leased.

2.2.9. 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 NOX 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 21 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 \$12,500 per ton of NO_x reduced. Eligible costs are listed below:

- a) Capital Costs – Equipment and Installation
 - Invoice cost of equipment required for the rail relocation or improvement activity, including taxes, duty, protective in-transit insurance, and freight charges.
 - Installation costs, including any technical design, testing, and other engineering services required in order to install the equipment.
- 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 equipment.
- c) Construction – Construction costs not included as part of the installation of the equipment, including design, engineering, fees, permits, and site improvements.
- d) Contractual – Other contractual costs not included under the construction or equipment installation category.
- e) 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.

2.2.10. Qualifying Fuel Projects

Note: The TCEQ is not accepting applications under this application period for projects to fund the incremental costs of a qualifying fuel.

3.0 UNVERIFIED OR UNCERTIFIED TECHNOLOGIES

Where applicable, the reduced emission vehicle, equipment, and/or engine must be certified to emit at least 25% less NO_x than the baseline vehicle, equipment, and/or engine. Certification means approved by EPA, the 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.

4.0 DISPOSITION OF VEHICLES, EQUIPMENT, AND ENGINES BEING REPLACED

The grant contract will include the requirements for disposition of the vehicle and engine being replaced. Grantees will need to have legal authority for this disposition. In general, unless otherwise approved by the TCEQ, the old vehicle/equipment and engine must be rendered permanently inoperable within 90 days of receiving financial reimbursement by completely crushing the vehicle/equipment and engine or drilling a 3” hole or larger in the engine block on both sides (or otherwise destroying it) and cutting both frame rails in half (or perform other structural damage to the equipment) rendering it inoperable.

A certification of the disposition of the old vehicle/equipment and engine must be provided on forms provided by the TCEQ. The grant contract will include specific provisions for scrapping the vehicles/equipment and engines and for submitting disposition verification information to the TCEQ.

Grant applicants may request authorization of an alternative method for rendering the vehicle/equipment and engine permanently inoperable on the application forms.

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. Instructions for submitting a request for approval of an alternative disposition plan to remove a locomotive from operation in Texas are provided in Appendix E. If approved, the alternative disposition method will be included in the special conditions of the grant contract and the grant recipient must commit to implementing the provisions as set forth in the grant contract. If the alternative method is not approved, the disposition requirements outlined in the grant contract, as explained in general above, will need to be followed.

5.0 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. With the exception of on-site infrastructure projects, different project categories (i.e., replacement, repower, etc.) may not be combined on one application. All activities in a grant application must be proposed to be conducted **in one primary area** (see list under Section 2.1).

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) 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.
- c) 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% reduction in NO_x for repowers and retrofits.
- d) 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 the TCEQ rules (30 TAC Chapter 101, Subchapter H, Division 3).
- e) 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.
- f) All applications for funding must be completed according to the application instructions and submitted within the required deadline.

- g) 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.
- h) 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 RFGA 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 website.
- i) Most activities funded under this program except for infrastructure activities that will require construction work will be expected to be completed before the end of the Period of Funds Availability. 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 period in which to complete the work. The Period of Funds Availability under this program will be 21 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.
- j) Administrative costs and other internal costs to 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.
- k) 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.
- l) 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 for reimbursement. 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.
- m) 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.

- n) 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% is not eligible to receive a state-funded grant or loan. All applicants under this RFGA 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% 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.
- o) Applicants must submit a W-9 Form (Request for Taxpayer Identification Number and Certification Form) when submitting the application.

6.0 DESIGNATED ACTIVITY LIFE

The minimum Activity Life for activities submitted under this RFGA is five years. Applicants will be allowed to choose an appropriate Designated Activity Life for the activities of the project. Appendix B lists the minimum and maximum Activity Life for the eligible projects.

For On-Road Heavy-Duty Replacement and Purchase or Lease activities only, if the Total Usage Commitment agreed upon in the grant contract is less than 400,000 miles and the grantee reaches 400,000 miles prior to the end of the designated Activity Life, the Activity Life commitment may be considered met. This option only applies to grantees who commit to a Total Usage Commitment of less than 400,000 miles. The grantee must meet the number of years of the designated Activity Life unless 400,000 miles is reached before their number of years is met.

Grantees with a Total Usage Commitment greater than 400,000 miles must meet the number of years of the designated Activity Life regardless of when the Total Usage Commitment is met.

7.0 PERCENTAGE OF USE REQUIREMENTS

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.

- a) For activities other than on-road vehicle activities and activities with non-road equipment used for natural gas recovery purposes, the applicant must commit to use the equipment at least 75% of the annual hours of operation or fuel use in the eligible counties, as designated in the application and contract.

- b) For non-road equipment used primarily for natural gas recovery purposes, the TCEQ may exempt the applicant from the requirement that 75% of the annual operation of the grant-funded equipment must occur in the eligible counties listed in the application and contract documents. If the applicant chooses to apply for this exemption, 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 and may be required to install a GPS tracking device through the designated TERP GPS Monitoring Service (TGMS) Contractor to track and report usage and location of use of grant-funded non-road equipment. 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. The application forms provide a place for applicants to indicate that the primary purpose and use of the equipment is for natural gas recovery and that they wish to be exempt from the annual use requirements.
- c) Annual usage will be measured by hours of operation for non-road equipment and marine vessels and fuel use for locomotives. 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.
- d) For on-road vehicles, the applicant must designate in the application the percentage of the annual mileage or fuel use that will occur in the eligible counties listed in Appendix A, which may not be less than 25% of the annual mileage. In addition to the percentage of use in the eligible counties committed to by the applicant, the applicant must also commit to operating the vehicle at least 75% of the annual miles or fuel use in a combination of the eligible counties and on one or more of the highways or roadways designated below.
- Interstate Highway 10 from the Texas/New Mexico border to the Texas/Louisiana border
 - Interstate Highway 20 from Interstate Highway 10 to the Texas/Louisiana border
 - Interstate Highway 30 from Rockwall County to the Texas/Louisiana border
 - Interstate Highway 35 from the Texas/Mexico border to the Texas/Oklahoma border
 - Interstate Highway 37 from the Gulf of Mexico to Bexar County
 - Interstate Highway 45 from the Montgomery County to Ellis County
 - U.S. Highway 59 from the Texas/Mexico border to the Texas/Arkansas border (including any sections re-designated as IH 69)
 - U.S. Highway 79 from the Williamson County to the Texas/Louisiana border
 - U.S. Highway 281 from the Texas/Mexico border to the Texas/Oklahoma border

- U.S. Highway 77 from the Texas/Mexico border to Ellis County
- U.S. Highway 290 from the Interstate Highway 10 to Waller County

8.0 ANNUAL USAGE RATES

Annual usage rates are used by the TCEQ to calculate the NO_x emissions reductions that are achieved by each activity, and are measured either in miles, hours, or fuel use, depending on the equipment type (see section 2.7). Annual Usage rates are applied to each activity for the duration of the Activity Life.

The TERP guidelines authorize the use of “Standard” default annual usage rates for determining emissions reductions. Under this program, the applicant may also apply using a higher “Non-Standard” annual usage rate. The Standard and Non-Standard annual usage rates are available for New Purchase or Lease, Repower, Replacement, or Retrofit categories only. Usage rates for projects under the other ERIG categories may be considered case-by-case.

Applicants must select one of the two following annual usage options in the application:

a) Standard Usage

- Under this option, the applicant should identify the Standard Usage rate established for each vehicle class or type of equipment in the technical supplement, and list it in the application. If a Standard Usage rate is not listed for a particular type of vehicle or equipment, the applicant may apply using a Non-Standard Usage rate.
- The Standard Usage rate will be used for emissions reductions calculations only. The grant recipient **will not** be obligated to use the vehicle or equipment for the exact number of annual miles, hours, or fuel use listed as the Standard Usage rate.
- **Class 8a and Class 8b Vehicles.** The average number of miles reported per year for Class 8a and Class 8b single-unit trucks, such as dump trucks, multi-axle dump trucks, and cement trucks, do not differ significantly. Therefore, the Standard Usage of 40,000 miles per year for Class 8a trucks should also be applied to those Class 8b single-unit trucks other than tractor-trailer combination haul trucks. The Class 8b Standard Usage of 60,000 miles should only be used for tractor-trailer combination haul trucks.
- **Natural Gas Recovery.** Please note that Standard Usage may not be selected for a project involving non-road equipment used primarily for natural gas recovery purposes and where the applicant chooses not to commit to operate the equipment at least 75% of the annual hours of operation or fuel use in the designated eligible counties (see Section 2.7).

b) Non-Standard Usage

- Under this option, the applicant may list a Non-Standard annual usage rate for each activity, rather than using the Standard Usage rate provided in the technical supplement. The TCEQ may accept or deny any Non-Standard Usage rate.
- Non-Standard Usage rates must match the historical usage rate of the old equipment included in the application, and the applicant must be able to verify the historical usage rate with supporting documentation submitted with the application.
- If the applicant provides sufficient documentation to verify the historical usage of the equipment, the TCEQ may accept the Non-Standard Usage rate for emissions reductions calculations only, and the grant recipient **will not** be obligated to use the vehicle or equipment for the exact number of annual miles, hours, or fuel use listed as the Non-Standard Usage rate.
- If the documentation provided by the applicant is not sufficient to verify the historical usage rate of the equipment, the TCEQ may accept the Non-Standard Usage rate and require the applicant to commit to using the grant-funded vehicle or equipment for the number of annual miles, hours, or fuel use listed as the Non-Standard Usage rate. Under this scenario, the applicant must also agree to install and use the GPS available from the TCEQ-approved contractor to monitor and report usage over the Activity Life of the project.
- If Non-Standard Usage is selected in the application, the applicant must request the same Non-Standard Usage rate for all activities in that application. If the TCEQ does not accept the Non-Standard Usage rate for any of the activities in that application, all activities would be considered using only the Standard Usage rates.
- The applicant must indicate on the application form if they agree to use the Standard Usage rate if the TCEQ does not accept the Non-Standard Usage rate. If the applicant does not agree to use the Standard Default rate under this scenario, the applicant may withdraw the application.
- Supporting documentation of historical usage may include maintenance records, pages from an official log book, registration, or other official record showing odometer or hour meter readings dated within the two years prior to the signature date on the application. The records should also include information identifying the vehicle or equipment. For vehicles, this identifier should be the vehicle identification number (VIN). The TCEQ does not require, nor does it want, the submission of entire log books or maintenance records spanning the two years preceding the application date. Along with the documentation listed above, the applicant must provide a photo of the odometer or hour meter showing the current reading. The application form provides a place to certify that the odometer/hour meter is accurate and currently working.

- For those projects where the odometer/hour meter is not accurate and currently working, it will be more difficult for the applicant to validate the proposed usage rate. Applicants must agree to a pre-award site visit by TCEQ to assess the historical usage information.
- New Purchase or Lease. If an applicant proposes to use a Non-Standard Usage rate for a project under the New Purchase or Lease category, the applicant must provide a detailed explanation of how the proposed usage rate was determined and include documentation to support the proposed usage rate. If the TCEQ accepts the Non-Standard Usage rate for a project under this category, the applicant must commit to achieving the annual usage amounts and must agree to install and use GPS for tracking and reporting on use of the vehicle or equipment.
- Natural Gas Recovery Projects. If the applicant chooses not to commit to operate the equipment at least 75% of the annual use in the eligible counties, the applicant must agree to install a GPS tracking device through a designated TGMS Contractor to track and report usage and location of use of grant-funded non-road equipment.
- Locomotive Projects. Non-Standard Usage is not available for locomotive projects, which may be applied for only using a Standard Usage rate.

9.0 GRANT ADMINISTRATION AND REIMBURSEMENT OF EXPENSES

- a) In order to ensure that all allocated funds are used under this program, the TCEQ may select projects and award contracts that may ultimately exceed the amount of funding received. Grant contracts will include a Notice to Proceed (NTP). The TCEQ will provide an NTP to the grant recipient when/if funds are available to cover the grant. Any expenses incurred by the grant recipient prior to receiving the NTP 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. 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 Assignment Information Form and a completed Form 1A must be submitted with 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) A summary of all expenses and budget items must be submitted with the request for reimbursement. Requests for Reimbursement forms will be provided with the copy of the executed contract. These forms are also available on the TERP website www.terpgrants.org or by calling the toll free TERP number at (800) 919-TERP (8377). For replacement and repower 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, engine or equipment being replaced must be the result of arms-length bargaining with the entity taking the old vehicle, engine, 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.
- e) For on-road vehicle and non-road and stationary 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) For on-road vehicle and non-road and stationary equipment repower projects, excluding marine and locomotive projects, the TCEQ may use a default scrap value of \$250.
- g) Unless otherwise approved by the TCEQ, all project costs must have been incurred and grant funded vehicles received before the end of the Period of Funds Availability indicated in Article 4 of the contract. The period of funds availability under this program will be 21 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. All final requests for reimbursement will need to be submitted within 45 days after this date.
- h) 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 obtain title and take ownership of 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.
- i) Reimbursement will not be authorized for pre-payment of future periodic lease or finance payments. A grant recipient will need to either ensure that sufficient payments will be made prior to the end of the period over which reimbursements may be made 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.

10.0 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 start on the reimbursement date. 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 are used to calculate the emissions reductions begin using the infrastructure, whichever is later.
- c) Annual reports on the use of the grant-funded equipment will be required, using forms to be provided by the TCEQ. If the grant recipient installs a GPS from the TCEQ-authorized GPS contractor, either as part of the grant or with other funds, the TCEQ may accept the reports available from the GPS service provider in lieu of the grant recipient submitting annual usage reports.
- d) The TCEQ may authorize annual reporting after the initial reports are received and it is determined that the grant recipient is meeting the grant conditions.
- e) 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.
- f) The TCEQ has identified an approved vendor for a geographic positioning system (GPS) to electronically track the location and use of grant-funded vehicles and equipment. Initial installation of a GPS is voluntary. However, during the Activity Life of the grant, the TCEQ may require installation of a GPS for grant recipients that are not meeting the grant requirements pertaining to usage or location of use, in lieu of requiring immediate return of grant funds. In those cases of non-compliance, the grant recipient must agree to install and use the approved GPS if requested to do so by the TCEQ or the grant recipient may be required to return all or a portion of the grant funds.
- g) 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.

11.0 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.

12.0 FUNDING

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.

The TCEQ will not be obligated to select applications for funding, even if received within the application deadline.

The TCEQ may select parts of a proposal for funding and may offer to fund less than the dollar amount requested in a proposal.

13.0 APPLICATION PROCESS

13.1. REQUIRED FORMS

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

13.2. APPLICATION SUBMISSION

To apply for funding, applicants must complete and submit a grant application. Two (2) 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 or Hand Delivery

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

13.3. DEADLINE FOR SUBMISSION

Unless the acceptance of applications is suspended by the TCEQ prior to the application deadline, applications must be received at the front desk, Rm. 1301, 1st floor of Building F on the premises of the TCEQ by no later than 5:00 p.m. Central Time, July 10, 2018. Applications received in the TCEQ mail room on this date, are not guaranteed to be delivered to Rm. 1301 by the required deadline, so applicants are encouraged to plan their submission accordingly. Applicants are encouraged to submit an application as early as possible.

The TCEQ may suspend acceptance and/or processing of applications at any time during the application period with no obligation to continue processing an otherwise eligible application received within the deadline.

13.4. 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 arms-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.

13.5. ADDITIONAL PROGRAM INFORMATION

Individuals desiring further information are encouraged to call the TERP staff at 1-800-919-TERP (8377).

13.6. PUBLIC INFORMATION

Upon submission, all proposals become the property of the State of Texas and as such become subject to the Texas Public Information Act, Chapter 552, Texas Government Code.

14.0 SELECTION CRITERIA

14.1. PRIMARY CRITERIA

Factors that will be used to evaluate the Project include:

- a) **Cost Per Ton.** 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) **Achieving the Goals of the Texas Emissions Reduction Plan (TERP).** This factor will be based on the potential for the project to best address the goals of the TERP and the air quality needs of the area. Consideration may be given to the criteria explained below.
 - Overall impact on air quality, including consideration of the overall amount of projected NOX emissions reductions and length of the project.
 - Achieving the overall goals of the TERP to advance the use of clean technologies, including the potential for the project to encourage others to use the technology and to result in the wider use of the technology in the regional area.
- c) **Emissions Reductions Potential.** The potential for the project to achieve the projected emissions reductions, including, but not limited to, the following:
 - consideration of information regarding the technology and the emissions reductions; and
 - the quality and reliability of the information used to estimate the future use of the grant-funded equipment, vehicles, or infrastructure.

14.2. 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. The TCEQ is not obligated to fund a proposal from an applicant or for a project based on a determination of the risks and other factors associated with the applicant and/or project, including the factors outlined below:

- a) 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.
- b) The TCEQ may assess the risks associated with a project and may classify or otherwise categorize projects according to the assessed risks separate from the general scoring and ranking, including adjusting the ranking to account for those risks.
- c) 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.
- d) 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.
- e) 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.
- f) 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.
- g) The TCEQ is not obligated to fund a proposal from an applicant or for a project based on a determination of the risks, including the financial condition of the applicant, the extent to which application information is verified by supportable documentation and pre-award site visit evaluation, 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.

- h) 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.
- i) The TCEQ is not obligated to fund a proposal from an applicant with an overall compliance history classification of Unsatisfactory (55.01 or greater) on the TCEQ's Compliance History Database, for applicants that are subject to the rating.
- j) 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.

15.0 APPLICATION REVIEW AND SELECTION PROCESS

15.1. APPLICATION REVIEW

The TCEQ will review the applications and will, to the extent possible, notify applicants of any needed changes or additional information.

15.2. 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.

16.0 GRANT AWARD AND CONTRACTING

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.

16.1. NOTICE TO PROCEED

The execution of a contract will not be the final commitment by the TCEQ to provide the funds. A subsequent Notice to Proceed (NTP) will be issued to the grant recipient when sufficient funds become available. Any eligible expenses incurred prior to receipt of the NTP 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 the 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.

16.2. CONTRACT TERM

For purposes of funding and fulfillment of the TCEQ's obligations to provide reimbursement under the grant, a date will be specified in the contract by which all expenses must have been incurred and reimbursement requested. The contract term will then extend for the Activity Life.

The grant recipient will need to agree with and obligate to commitments for achieving emissions reductions for the life of each activity. Before signing a grant contract, grant recipients must read and agree to the commitments under the grant contract, including the deadlines for incurring expenses and requesting reimbursement and the obligations over the full contract term.

16.3. CONTRACTOR EVALUATION

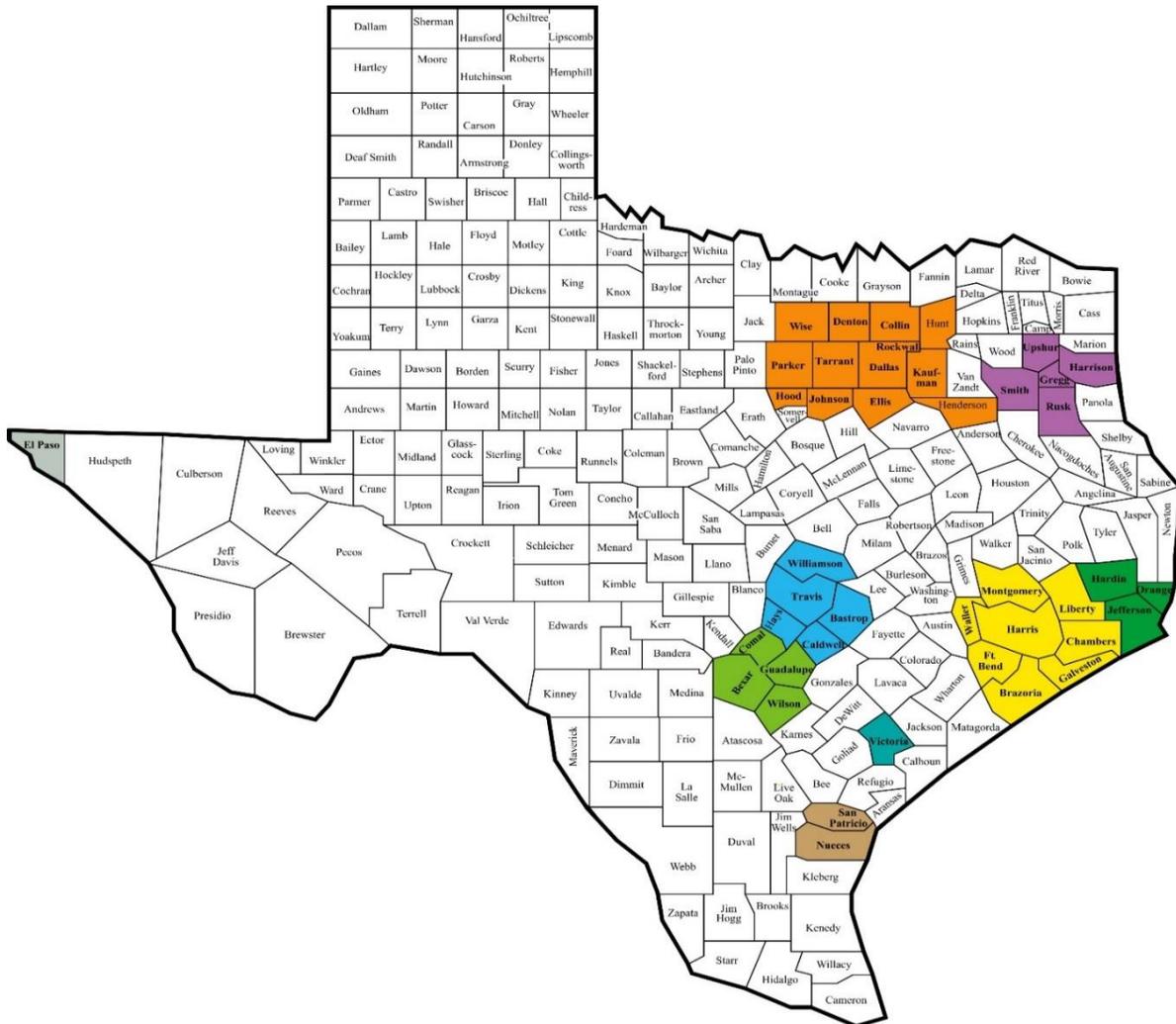
The TCEQ may prepare a written evaluation of the performance of the grant recipient upon completion of the terms of the grant contract, or more frequently, as deemed necessary by the TCEQ. A copy of the evaluation will be provided to the grant recipient and a copy retained in the TCEQ's contract files.

The content of the evaluation shall be wholly within the discretion of the TCEQ. The grant recipient may provide a written statement which explains or disagrees with the evaluation, which will be incorporated into the evaluation. The grant recipient waives any claim for damages against TCEQ for the evaluation. 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.

17.0 CONSIDERATION OF APPLICATION IN FUTURE GRANT ROUNDS

The TCEQ may, at its discretion, retain applications not selected for funding under this RFGA for consideration under a new RFGA 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.

APPENDIX A: MAP OF ELIGIBLE COUNTIES



Eligible counties under the Emissions Reduction Incentive Grants (ERIG) Program

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

Baumont-Port Arthur Area: Hardin, Jefferson, and Orange Counties

Corpus Christi Area: Nueces and San Patricio Counties

Dallas-Fort Worth Area: Collin, Dallas, Denton, Ellis, Henderson, Hood, Hunt, Johnson, Kaufman, Parker, Rockwall, Tarrant, and Wise Counties

El Paso Area: El Paso County

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

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

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

Victoria Area: Victoria County

This page intentionally left blank

APPENDIX B: DESIGNATED ACTIVITY LIFE

The table below lists the minimum and maximum Activity Life for the various emissions sources within each project type.

For On-Road Heavy-Duty Replacement and New Purchase or Lease vehicles only, if the Total Usage Commitment agreed upon in the grant contract is less than 400,000 miles and the grantee reaches 400,000 miles prior to the end of the designated Activity Life, the Activity Life commitment may be considered met. This option only applies to grantees who commit to a Total Usage Commitment of less than 400,000 miles. The grantee must meet the number of years of the designated Activity Life unless 400,000 miles is reached before the number of years are met.

Grantees with a Total Usage Commitment greater than 400,000 miles must meet the number of years of the designated Activity Life regardless of when the Total Usage Commitment is met.

New Purchase or Lease	Minimum Activity Life	Maximum Activity Life
Heavy-Duty Vehicle / Equipment	5 years	10 years
New Purchase or Lease - School Buses > 33,000 GVWR	5 years	10 years
New Purchase or Lease - Other Buses > 33,000 GVWR	5 years	10 years
New Purchase or Lease - (vehicle other than bus)	5 years	10 years
Marine Vessels	5 years	10 years
Locomotive	5 years	10 years
Stationary Equipment	5 years	10 years

Replacements	Minimum Activity Life	Maximum Activity Life
Heavy-Duty Vehicles / Equipment	5 years	7 years
Marine Vessels (all engine categories)	5 years	10 years
Locomotive	5 years	10 years
Stationary Equipment	5 years	7 years

Repowers	Minimum Activity Life	Maximum Activity Life
Heavy-Duty Vehicles / Equipment	5 years	7 years
Marine Vessels	5 years	10 years
Locomotive	5 years	10 years
Stationary Equipment	5 years	7 years

Retrofit / Add-On Technology	Minimum Activity Life	Maximum Activity Life
Heavy-Duty Vehicles / Equipment	5 years	7 years
Conversion to Dual-Fuel (natural gas + diesel fuel)	5 years	7 years
Marine Vessels	5 years	10 years
Locomotives	5 years	10 years
Stationary Equipment	5 years	7 years

Refueling Infrastructure	Minimum Activity Life	Maximum Activity Life
The number of years you commit to using the vehicle/equipment with the infrastructure	5 years	10 years

On-Site Electrification & Idle Reduction Infrastructure	Minimum Activity Life	Maximum Activity Life
The number of years you commit to using the vehicle/equipment with the infrastructure	5 years	10 years

On-Vehicle Electrification / Idle Reduction Infrastructure	Minimum Activity Life	Maximum Activity Life
The number of years you commit to using the vehicle/equipment with the infrastructure	5 years	10 years

Rail Relocation / Improvements	Minimum Activity Life	Maximum Activity Life
The number of years you commit to tracking and reporting on emissions reductions	5 years	10 years

APPENDIX C: GROSS VEHICLE WEIGHT RATING INSTRUCTIONS

The gross vehicle weight rating (GVWR) listed for the vehicle may not exceed the maximum weight allowed by the Texas Department of Transportation (TxDOT), as listed on the Permissible Weight Table. In general, the maximum weight listed for the vehicle may not exceed 20,000 pounds (lbs.) per axle.

The gross combined weight rating (GCWR) of the vehicle and trailer may be used for haul trucks that permanently operate in combination with a trailer and dump trucks that permanently pull a pup trailer. An equipment trailer pulled by a truck is not considered a pup trailer. Check with the TCEQ if you are not sure whether your vehicle and trailer combination meet these conditions.

The TCEQ may, at its discretion, accept a weight over 20,000 lbs. per axle for vehicles operating under an annual over the weight tolerance permit or other annual specialty permit issued by TxDOT for certain uses. **You must provide a copy of the annual permit and/or other documentation of permanent operation in the higher weight category.** Registration of the vehicle at a higher weight and/or a temporary overweight permit will not be sufficient documentation that the vehicle is permanently operated at the higher weight.

Proof of the registered GVWR is required with the grant application. If a pup-trailer is used 100% of the time, the registration for both the dump truck and pup trailer must be attached.

EXAMPLES

- **Greater than 60,000 pounds GCWR; Tractor-Trailer Combination (Haul Truck) Only**
 - Haul Truck (tractor-trailer combination)
- **Greater than 60,000 pounds GVWR; Other than Haul Trucks**
 - Dump Truck with Pup Trailer (Must pull pup trailer 100% of the time. Attach pup trailer registration.)
 - Multi-Axle Dump Truck (Four or more axles and registered for over 60,000 lbs.)
 - Cement Mixer Truck
- **33,001 – 60,000 pounds GVWR**
 - Dump Truck (regular tandem axle)
 - Cement Mixer or Concrete Truck
 - Vacuum Truck
 - Water Truck
 - Drill Rig Truck
 - Tow Truck
- **8,501 – 33,000 pounds GVWR**
 - Delivery Trucks

This page intentionally left blank.

APPENDIX D: WAIVER OF CERTAIN ELIGIBILITY REQUIREMENTS

PURPOSE

Under THSC, §386.104(j), the TCEQ may consider a request to waive one or more eligibility requirements based on a finding of good cause, which may include short lapses in registration or operation due to economic conditions, seasonal work, or other circumstances.

This appendix contains the procedures a grant applicant must use to request a waiver to one or more of the eligibility requirements.

BASIS FOR A DETERMINATION OF GOOD CAUSE

As stated in the RFGA, this program is to provide grants for eligible activities to offset the incremental costs of projects to reduce emissions of NO_x from high-emitting internal combustion engines in eligible areas. The eligibility requirements are established to ensure that the grant-funded projects will achieve the NO_x emissions reductions.

In accordance with the TERP rules and guidelines, any decision to grant a waiver must ensure that the emissions reductions attributable to the project will still be valid and that, where applicable, the project will still meet the criteria for crediting the emissions reductions to the state implementation plan.

It may be difficult for the TCEQ to determine that there is good cause to waive the core eligibility requirements, including standards for achieving a minimum level of emissions reductions, cost per ton provisions, area of use requirements, Activity Life requirements, and similar requirements. Applicants would need to establish that reductions in NO_x will still be achieved and that those reductions could still be attributed to the state implementation plan. A waiver to eligibility requirements that would result in reduced NO_x emissions reductions, higher costs for those emissions reductions, or emissions reductions in areas not identified as a priority for reducing NO_x emissions may not meet this requirement.

For other eligibility requirements, such as the ownership, registration, and use requirements for vehicles and equipment being replaced, repowered, or retro-fitted, under a proposed project, it may be easier to determine good cause for a waiver. The basis for the ownership, registration, and use requirements is, in part, a way to validate that a project will result in reductions in NO_x emissions and other pollutants, when compared with what would have happened if the grant were not awarded.

In order for projections of emissions reductions attributable to a project to be valid, there must be reasonable assurance that, absent the grant, the grant applicant would have continued to use the vehicle or equipment being replaced, repowered, or retro-fitted, for the same purposes and amount of use, and in the same area of use, for the period over which the emissions reductions are being considered.

A project that only assists with regular fleet turnover or to replace vehicles or equipment that have already been taken out of service or put into limited service does not meet the criteria. Similarly, without requirements on past ownership and use, there is a risk that a grant applicant could purchase an old vehicle or equipment, or otherwise transfer a vehicle or equipment from out-of-state, solely for the purpose of obtaining a grant.

The TCEQ's determination of whether there is good cause to grant a waiver will be based on an evaluation of the factors explained above. Grant applicants are required in a request for a waiver to explain how there is good cause to grant a waiver and justification for determining that, with the waiver, that the emissions reductions attributable to the project will still be valid and that, where applicable, the project will still meet the criteria for crediting the emissions reductions to the state implementation plan.

STANDARD SITUATIONS

All waiver requests will be considered on a case-by-case basis, with no assurance that a waiver will be granted. However, there are several standard situations where a determination of good cause may be easier to make. Some of these situations for replacement, repower, and retrofit projects are outlined below.

- a) The two-year ownership or lease (for vehicles) requirement might be waived when the ownership of the company applying for a grant has changed, the assets of the company have been purchased by another company, or the company has changed names or incorporation status. In any case, the vehicle or equipment should have been owned or the vehicle leased under either the current company name or the previous company name and registered and operated in Texas for the preceding two years.
- b) Regardless of the past ownership or lease, the grant applicant must currently have authority to destroy a vehicle or equipment being replaced. For vehicles, this normally will require that the grant applicant be listed as the owner on the current title.
- c) For uses other than seasonal use, short lapses in vehicle registration and/or use of two months or less over a one-year period might constitute good cause as long as the ownership or lease holder of the vehicle did not change. The reasons provided in the waiver request for the lapse in registration and/or use should clearly show that the vehicle would continue to be used by the grant applicant and that the lapse in registration or use was not a permanent situation.
- d) For vehicles used in seasonal work, good cause might be considered for lapses in registration and/or use during the non-seasonal period. Under this situation, lapses in registration or use for longer than six months over a one-year period would be more difficult to justify. An explanation of the type of use and the normal season(s) for that use will need to be provided.
- e) Other situations, including longer lapses in ownership, registration, or use, may also be considered, case-by-case. The burden is on the grant applicant to fully explain why a waiver should be granted and to justify that there is good cause to grant the waiver request.

INSTRUCTIONS FOR COMPLETING AND SUBMITTING A WAIVER REQUEST

Requests for a waiver must be submitted in writing, with an original signature of the authorizing official of the grant applicant.

Grant applicants should follow the example format provided in Attachment 1 to this appendix to prepare the written waiver request(s). As shown on the example format, the request should include a cover letter signed by the authorizing official and attesting to the accuracy of the information provided. Required waiver information should be completed for each vehicle included in the request and enclosed with the cover letter.

Multiple vehicles or equipment that will be included on a single grant application may be included with one waiver request. However, in order to ensure that waiver requests and approvals can be associated with a particular application, separate waiver requests should be submitted for vehicles or equipment that will be included in separate applications.

It is recommended, but not required, that any waiver requests be submitted prior to submission of the application, and that a grant applicant wait until it receives notification of the TCEQ's decision regarding the request before submitting the application.

However, if the written waiver request is not submitted prior to submission of the application, the request must be included with the application documents. The TCEQ may determine an application incomplete if the waiver request is not received either before the application or with the application materials.

Waiver requests not submitted with an application should be sent 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 or Hand Delivery:

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

WAIVER REQUEST REVIEW AND APPROVAL/DISAPPROVAL PROCEDURES

a) Waiver Requests Submitted Prior to Submission of an Application

The TCEQ will review waiver requests submitted before an application in the order the request is received. Notification may be provided by electronic mail, letter, or fax, or a combination of one or more methods. Where feasible, preliminary notification may also be provided by a phone call to the grant applicant's representative.

If the waiver request is approved, grant applicants should reference the waiver approval where noted in the application and include a copy of the notification documents with the application forms.

b) Waiver Requests Submitted with an Application

Waiver requests submitted with an application will be considered along with the application. If possible, grant applicants will be notified of the decision on the waiver request prior to the grant selection process.

c) Incorporation of Approvals into the Contract Conditions

If a waiver request is approved, the conditions under which the waivers were granted may be included in the grant contract and agreement documents.

By signing the contract, the grant applicant will be attesting to the validity of the conditions under which the waiver was granted.

d) Waiver Disapproval Appeal Procedures

A grant applicant that is not satisfied with a decision of the TCEQ to disapprove a waiver request either submitted prior to submission of an application or with the application may file an appeal of that decision with the TCEQ.

An appeal must be submitted by mail, fax, or scanned document through electronic mail to the Manager of the Implementation Grants Section, Air Quality Division, of the TCEQ within ten calendar days after the grant applicant received, or should have received, official notification by the TCEQ that a waiver request was denied. If denial is sent by mail, the grant applicant is deemed to have received the denial within three business days after the mailing date. If denial is sent electronically, the grant applicant is deemed to have received the denial on the date sent.

The TCEQ has the discretion to allow an appeal filed after ten calendar days if the protestant shows good cause for the late filing or if the protestant raises an issue significant to the general policies or procedures of the waiver request process.

An appeal must be in writing and identified as an appeal of the TCEQ's decision on the specific waiver request in question, and must contain the following:

- 1) a description to verify that the protestant is the grant applicant that submitted the waiver request;
- 2) the issue(s) being disputed and the requested remedy;
- 3) the applicant's argument supporting the appeal, including a statement of relevant facts and applicable law or requirement, specifying the statutes, rules, grant requirements or other legal authority alleged to not have been followed and why good cause should be determined to grant the waiver request; and
- 4) the applicant's affirmation that facts set forth in the appeal are true.

Upon receipt of an appeal conforming to these requirements, the TCEQ may, at its discretion, hold the grant selection and award decisions, pending resolution of any appeals. A decision on whether to delay the grant selection and award process may be based on the impact of that decision on the ability of the program to successfully award the available funds in required time frames, as well as other factors associated with the needs of the program.

An application that does not otherwise meet the conditions and requirements for approval of a grant, regardless of the decision on a waiver request, will not be reconsidered just because an appeal is received regarding the waiver request decision.

The Executive Director of the TCEQ or an authorized designee will review the appeal and make a decision. The Executive Director or designee may solicit additional information from the protestant and other appropriate parties and may offer the protestant the opportunity to meet to discuss the waiver request and appeal.

The decision of the Executive Director or authorized designee on the appeal and the waiver request, as communicated in writing or other appropriate means, may be final.

This page intentionally left blank.

ATTACHMENT TO APPENDIX D

Format for Waiver Requests

- a) Cover Letter - The cover letter should be signed by the Authorized Official and include the underlying instructions below.
- b) Legal Name of Grant Applicant
- c) Project Representative Name
- d) Address
- e) Contact E-Mail
- f) Contact Phone Number

Vehicle/Equipment Information

- a) For a vehicle or piece of equipment included in the request, provide the information outlined below.
- b) Vehicle or Equipment Information
- c) Vehicle Identification Number (VIN) or Equipment Serial Number
- d) Make/Model/Year (as applicable)

Documentation

- a) List the requirement(s) for which the waiver(s) is/are requested.
- b) For each requirement, explain in detail how the project does not meet the requirement(s) and why.
- c) Provide a detailed explanation of why there is good cause to grant the waiver. Refer to the instructions for examples of situations where good cause may be determined.
- d) For vehicles used in seasonal work, provide a detailed explanation of the type of work performed, the normal season for use of the vehicle, and why the vehicle is only registered and used over that seasonal period.
- e) Attach documentation to support the waiver request, such as title documents, lease and sales agreements, registration receipts, ownership agreements, etc.
- f) As explained in the instructions, the justification provided for granting the waiver must clearly demonstrate that the emissions reductions attributable to the project will still be valid and that, where applicable, the project will still meet the criteria for crediting the emissions reductions to the state implementation plan.

This page intentionally left blank.

APPENDIX E: ALTERNATIVE DISPOSITION REQUEST PROCEDURES FOR LOCOMOTIVE REPLACEMENT PROJECTS

PURPOSE

For locomotive replacement projects, applicants may request approval of a plan to permanently remove the locomotive from the state, in lieu of destruction. This appendix explains the procedures a grant applicant must use to request approval of a plan to permanently remove the locomotive(s) from Texas.

INSTRUCTIONS FOR COMPLETING AND SUBMITTING A REQUEST

- a) Requests for approval of a plan to permanently remove the locomotive(s) from Texas must be submitted in writing, with an original signature of the person authorized to sign for the applicant.

The request should list identifying information regarding the vehicle and engine, including:

Locomotive Make and Model;

Locomotive Identification Number;

Engine Make and Model; and

Engine Serial Number

- b) The request must explain the applicant's detailed plan for permanent removal of the locomotive and engine from Texas. The plan must include information on the proposed transfer location(s), any contact information for the transfer location(s), any proposed ownership changes, and other information to explain what will happen to the locomotive and engine. The plan must also include information on the steps the applicant will take to ensure that the locomotive and engine are not returned to Texas.
- c) Multiple locomotives that will be included on a single grant application may be included with one request. However, in order to ensure that requests and approvals can be associated with a particular application separate requests should be submitted for locomotives that will be included in separate applications.
- d) Applicants may submit a request for preliminary review prior to submission of the application. Regardless of whether the request was submitted for preliminary review, a copy of the request must be included with the application forms.

Requests submitted for preliminary review prior to submission of an application should be sent 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 or Hand Delivery:

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

REVIEW AND APPROVAL PROCEDURES

a) REQUESTS SUBMITTED FOR PRELIMINARY REVIEW PRIOR TO SUBMISSION OF AN APPLICATION

The TCEQ will review requests submitted for preliminary review before an application in the order the request is received.

The TCEQ will attempt to notify grant applicants of the TCEQ's assessment of the request within ten calendar days of receipt of the request. However, the time needed to act on a request may vary depending on the complexity of the issues involved.

Notification may be provided by electronic mail, letter, or fax, or a combination of one or more methods. Grant applicants should still include the request and plan with the application, and include a copy of the notification documents from the TCEQ with the application forms.

b) REQUESTS SUBMITTED WITH AN APPLICATION

Requests submitted with an application will be considered, along with the application, in the order the application is received.

Grant applicants will be notified of the decision on the request at the same time or before notification of a decision on approval or disapproval of the application.

c) INCORPORATION OF APPROVALS INTO THE CONTRACT CONDITIONS

If a request is approved, the conditions of the alternative disposition plan will be included in the grant contract and agreement documents.

APPENDIX F: SPECIAL CONSIDERATION FOR VEHICLES AND EQUIPMENT DAMAGED OR DESTROYED BY HURRICANE HARVEY

OVERVIEW

In the aftermath of Hurricane Harvey (Harvey), the TCEQ will implement special policies and procedures to encourage the repower or replacement of vehicles and equipment damaged or destroyed by Harvey with cleaner models. This appendix outlines the special policies and procedures that will apply to eligible vehicles and equipment that have been damaged or destroyed as a result of Harvey.

HURRICANE HARVEY EXCEPTION TO ELIGIBILITY REQUIREMENTS

Under THSC §386.104(j), the Executive Director of the TCEQ may waive one or more eligibility requirements based on a finding of good cause, which may include short lapses in registration or operation. The TCEQ is providing an exception to the requirement that a vehicle or piece of equipment to be replaced is currently being used in its primary function in the routine operations of the applicant, if the vehicle or equipment is not currently being used due to damage or destruction caused by Harvey. Applicants who experienced interruptions in their daily business operations as a result of Harvey, and whose vehicle or equipment was not destroyed or damaged by Harvey may request a waiver by following the waiver process outlined in Appendix D.

Applicants applying under this exception should complete Supplemental Form 1: Hurricane Harvey Exception, and submit the form with the required project application forms. The form is available for viewing and download from the TERP website www.terpgrants.org. Applicants are also asked to submit supporting records to document the damage to or destruction of the vehicle or equipment.

REIMBURSEMENT

If the applicant has or will receive financial assistance for the vehicle or equipment to be replaced, the grant amount plus the financial assistance may not exceed the cost of the replacement vehicle or equipment. Applicants should disclose any financial assistance they have received, or plan to receive, at the time of application and upon submitting a Request for Reimbursement to the TCEQ. Financial Assistance may include insurance payments, financial assistance provided through the Federal Emergency Management Agency (FEMA), or any other payment received through an aide organization.

DISPOSITION

The grant contract will include the requirements for the method of destruction (disposition) of the vehicle, equipment, or engine being replaced. In general, for a replacement project, the old vehicle/equipment, and including the engine, must be rendered permanently inoperable within 90 days of receiving financial reimbursement by completely crushing the vehicle/equipment and engine or putting a 3" hole or larger in the engine block on both sides (or otherwise destroying it) and cutting both frame rails in half (or perform other structural damage to the equipment) rendering it inoperable. For a repower project, the old engine must be destroyed in the same manner.

Applicants applying under the Harvey exception will still be required to demonstrate that a vehicle or equipment and/or engine to be replaced has been rendered permanently inoperable. If an insurance company considers the vehicle or equipment to be replaced a total loss, it will usually take possession of the vehicle or equipment. If the insurance company has or will take possession of the vehicle or equipment as a result of declaring it a total loss, the grantee must verify that the vehicle or equipment will be destroyed and be able to provide documentation of the destruction to the TCEQ, including a non-repairable vehicle title for any vehicle being replaced and disposed of. If the insurance company is not able to commit to destruction of the vehicle or equipment and providing the applicant documentation of the destruction, the grantee should be prepared to exercise the option of buying back the totaled vehicle or equipment and then scrapping the unit in accordance with TERP requirements. The cost of buying back the vehicle or equipment from the insurance company may be subtracted from the insurance payment amount when determining whether the insurance payment plus the grant amount exceeds the cost of the replacement vehicle or equipment.