Summary of Proposed Revisions to
Texas Emissions Reduction Plan:
Guidelines for Emissions Reduction Incentive Grants (RG-388)
and
Texas Emissions Reduction Plan:
Guidelines for the Drayage Truck Incentive Program (RG-524)

December 4, 2017

The Texas Commission on Environmental Quality (TCEQ or commission) proposes revisions to *Texas Emissions Reduction Plan: Guidelines for Emissions Reduction Incentive Grants (RG-388)* and *Texas Emissions Reduction Plan: Guidelines for the Drayage Truck Incentive Program (RG-524)*. The proposed revisions implement proposed changes to the program rules under Title 30 Texas Administrative Code (30 TAC) Chapter 114, Subchapter K, Division 3 and Division 8. The proposed rule changes would incorporate changes to Texas Health and Safety Code (THSC), Chapter 386, by Senate Bill (SB) 1731, 85th Texas Legislature, Regular Session, 2017.

Additional revisions are proposed to both guideline documents, in addition to changes needed to make the guidelines consistent with the rules.

Proposed changes are highlighted in the documents and explained in this summary. Notation is provided for changes necessary as a result of the statutory changes and/or the proposed rulemaking.

Several non-substantive corrections and editorial and formatting changes, including adding additional subsection headings, have also been made and are not highlighted in the documents or explained in this summary.

The proposed guideline revisions are being released for public comment prior to final adoption of the proposed rules. The revisions to the guidelines will be considered for adoption after the rule changes are adopted. The rulemaking takes precedence over the guidelines, so any changes to the proposed rules may also result in changes to these proposed revisions to the guidelines.

1. Proposed Changes to Texas Emissions Reduction Plan: Guidelines for Emissions Reduction Incentive Grants (RG-388)

The Texas Emissions Reduction Plan (TERP) was established in Texas Health and Safety Code (THSC), Chapter 386, to provide grant funding for projects that reduce nitrogen oxides (NO_x) emissions and other pollutants. The Diesel Emissions Reduction Incentive (DERI) Program was established under THSC, Chapter 386, Subchapter C, to provide grants for replacement or upgrade of heavy-duty on-road vehicles, heavy-duty non-road equipment, locomotives, marine vessels, and stationary equipment in order to reduce NO_x emissions in the state's nonattainment areas and other affected counties.

The commission proposes to revise the DERI Program guidelines to incorporate revisions to the program rules under 30 TAC Chapter 114, Subchapter K, Division

3. The proposed rules would amend the DERI criteria to revise the definition of a small business and to specify that the small business incentives may be implemented through a separate small business grant program or as part of another grant program under THSC, Chapter 386, Subchapter C.

Under THSC, §386.053(d), the commission may also propose revisions to the guidelines as necessary to improve the ability of the TERP to achieve its goals. In addition to revisions necessary as a result of changes to rules, the commission proposes additional revisions to make the criteria consistent among the different emission sources and project categories.

A. Summary of Proposed Changes to Chapters 1 through 7

Chapter 1
Summary
Grant Program Descriptions, page 2

- The definition of a "small business" would be amended to remove the criteria that to be defined as a small business the business own no more than two vehicles, one of which must be diesel-powered and a pre-1994 model vehicle or piece of non-road equipment with "uncontrolled emissions." **(statutory and/or rule change)**

- The term "Retrofits" would be removed from the name of the Particulate Matter Reduction Retrofits Grants Program. This section was previously added to the DERI Program guidelines to allow funding allocated to the DERI Program to be used for additional school bus grants, consistent with the procedures and criteria of the Clean School Bus Program established under THSC, Chapter 390. SB 1731 added "replacements" to the project categories eligible for funding under the Clean School Bus Program. The change to this section in the guidelines is intended to make the language consistent with the funding categories of the Clean School Bus Program, which do not include replacements in addition to retrofits. **(statutory and/or rule change)**

Chapter 2
Glossary, page 5

- The definition of "activity life" would be revised to simplify the definition and to remove language that pertains to eligibility criteria rather than just the definition of the term. The eligibility criteria are stated within the document under the procedures and criteria for each program and emission source.

- Definitions would be added to define the acronym "CARB" to mean the California Air Resources Board and the acronym "EPA" to mean the United States Environmental Protection Agency.

- The definition of "cost-effectiveness" would be revised to correspond to changes made within the document concerning how the TCEQ calculates and uses the cost-effectiveness of a project.

Chapter 6
Small Business Grants Program
Opening Paragraph
Eligible Applicants
Page 27

- The opening paragraph would be revised to explain that the purpose of Chapter 6 is to provide the criteria and procedures for the TCEQ to provide fast and simple access to grants for a small business, as required under THSC, §386.116. Additional language would be added to explain that the TCEQ may use these criteria and procedures to implement a separate small business grants program or to give special consideration to small businesses when implementing another program under these guidelines. **(statutory and/or rule change)**

- The criteria for eligible applicants would be changed to remove the requirement that a person must have owned for more than one year and operated not more than two vehicles or pieces of equipment, one of which is an on-road diesel heavy-duty vehicle with an engine from a model year before 1994 or a non-road diesel-powered piece of equipment with an engine with uncontrolled emissions. **(statutory and/or rule change)**

- New language would be added that an eligible small business would be a business owned by a person that owns and operates not more than five vehicles or pieces of equipment, one of which is either an on-road heavy-duty vehicle or non-road heavy-duty equipment. The small business would need to have owned and operated the vehicle or equipment for at least the two years preceding the application. **(statutory and/or rule change)**

- The proposed rulemaking would change the requirement that a small business not own or operate more than two vehicles or pieces of equipment to require that the applicant own no more than five vehicles or pieces of equipment. The rulemaking would also change the ownership requirement from one year to two years. The proposed guideline changes are intended to make the criteria in the guidelines consistent with the proposed rules. **(statutory and/or rule change)**

Chapter 6
Small Business Grants Program
Eligible Activities, page 28

- The model year criteria for the vehicle or equipment engine would be removed. The criteria that would be removed stipulate that, at a minimum, the grants would be available for the replacement or repower of an on-road heavy-duty vehicle with an engine from a model year before 1994, and for the replacement or repower of non-road equipment with an engine with uncontrolled emissions. **(statutory and/or rule change)**

B. Summary of Proposed Changes to the Project Criteria in Appendix 1 through 11

Changes are proposed to clarify or modify existing criteria and to add additional proposed criteria for each of the project types discussed in the appendices. Proposed revisions, modifications, and additions are explained below. Where noted, the same or similar changes are proposed for all or a specified number of the appendices. Proposed changes that apply to only one appendix are also noted.

Appendix 1 through 11
Introductory Language
General discussion of waiver options
Page 37, 59, 79, 99, 117, 137, 147, 159, 169, 177, and 185

- The introduction to each appendix includes language stating that situations where good cause may be determined for granting a waiver are explained in the discussion of eligibility requirements in each appendix and that the executive director may identify other eligibility criteria for considering a waiver. This language would be removed and in place of the removed language, language is proposed to state that waiver options and procedures for requesting a waiver will be explained in the grant application materials. This change is proposed because only a limited number of situations where a waiver might be granted have been explained in each appendix. In practice, the grant application materials have included more detailed explanation of when a waiver might be appropriate and the procedures for requesting a waiver.

Appendix 1 through 5
Eligible Activities and Costs
Purchase or Lease Project Category
Pages 38, 60, 80, 100, 118

- Under these sections, a *lease* is defined as the use and control of the grant-funded vehicle or equipment in accordance with a lease contract for five or more years. The proposed revision would remove the reference to "five or more years" and add a sentence that "unless otherwise approved by the TCEQ, the lease contract must extend for at least the activity life." This proposed revision is consistent with how the TCEQ has implemented the lease provisions to help ensure that a grant recipient will fulfill the commitment to use the grant-funded vehicle or equipment in the eligible counties over the full activity life.

Appendix 1 through 5
Eligible Activities and Costs
Replacement Project Category
Vehicles or Equipment Being Replaced
Pages 38, 39, 60, 81, 100, and 118

- Changes are proposed to update and clarify the criteria for a vehicle or equipment to be eligible for replacement under the program.

- Clarifying language is proposed that the vehicle or equipment being replaced have been used in its primary function in the routine operations of the applicant in Texas. This language is proposed to help ensure that only those vehicles or equipment that have been in regular use by the applicant, and therefore could be expected to continue to be used if the grant is received, will be eligible for replacement.

- Language is also proposed to state that the TCEQ may require sufficient documentation be submitted with a grant application to determine that the vehicle or equipment being replaced meets the eligibility criteria.

- The language outlining certain situations where a waiver might be granted by the executive director will be removed. Specific waiver provisions and possible waiver situations are explained in the grant application materials.

- In Appendix 1 (page 39), pertaining to on-road heavy-duty vehicles, additional criteria are proposed to require that vehicles with apportioned registration to allow for operation in multiple states must have operated in Texas at least 75% of annual mileage for at least the two years immediately preceding the grant application date.

Appendix 1 through 5
Eligible Activities and Costs
Repower Project Category
Pages 41, 62, 83, 103, and 120

- The introductory paragraphs to the Repower project category in Appendix 1 through 5 include the requirements that an engine or engine upgrade kit must be certified to emit 25% less NO_x than the engine being replaced or upgraded. These provisions are more appropriately placed in the sections outlining the project criteria. The proposed changes would create a new subsection entitled "Replacement Engine or Upgrade Kit" and would move these criteria from the introductory language to this new subsection. The reference in Appendix 1 to compliance with EPA Memorandum 1A would also be moved to this new subsection.

- A new subsection would also be added in each of these appendices to include proposed new criteria for the vehicles and equipment to be repowered. The proposed additional criteria would establish the same requirements for the ownership and use of the vehicle or equipment to be repowered as required under the replacement project category.

  Under the current criteria, the applicant is not required to have owned and operated the vehicle or equipment to be repowered prior to acquiring the vehicle or equipment in order to replace the engine. In instances where the applicant may not have already owned and been operating the vehicle or equipment, the assumption has been that if the applicant intends to acquire an older used vehicle or equipment for use in the eligible counties, the grant would

be used by the applicant to also upgrade the vehicle or equipment to a cleaner engine, rather than using the older engine.

However, under the current criteria, there is a risk that the applicant would not have otherwise acquired the older vehicle or equipment for use in the eligible counties if the grant were not available, making the determination that emissions will be reduced as a result of the grant less valid. This is also the case if the engine on the vehicle or equipment to be repowered is already out-of-commission and would not have otherwise been repaired and operated by the applicant if the grant were not available. The addition of the same criteria for prior ownership and use as established for the replacement category projects is proposed to better ensure that valid emissions reductions will be achieved by a repower project.

Appendix 1, 2, and 4
Eligible Activities and Costs
Repower Project Category
Eligible Costs
Remanufacture Costs
Pages 43, 65, and 105

- In Appendices 1, 2, and 4, in the subsections explaining the eligible costs that may be reimbursed under a repower project, language is proposed to outline situations where additional costs associated with the complete remanufacture of a vehicle, equipment, or locomotive may be reimbursed as part of a repower project. This new provision is proposed to allow, case-by-case, reimbursement of additional costs where a vehicle or equipment is being remanufactured or converted to a new technology, such as electric drive. In addition, locomotive repower projects usually involve the complete remanufacture of the locomotive, rather than just removing the existing engine and installing a newer engine, and the new provisions would allow for reimbursement of those costs. These added provisions would help encourage repower projects where the project not only results in a cleaner engine, but also an essentially new vehicle, equipment, or locomotive using new and updated technology.

  These new provisions regarding eligibility of remanufacture costs are not proposed for repower projects involving marine vessels (Appendix 3) or stationary equipment (Appendix 5). For marine vessel repowers, the replacement of the propulsion and/or auxiliary engines is relatively straightforward, and would not usually involve the complete remanufacture of a vessel to use new technology. For stationary equipment repowers, the range of equipment types is diverse and it is not clear what types of stationary equipment might be remanufactured in conjunction with replacing an older engine.

Appendix 1 through 5
Eligible Activities and Costs
Retrofit or Add-On of Emissions Reduction Technology
Pages 44, 65, 85, 105, and 123

- The introductory paragraphs to the Repower project category in Appendix 1 through 5 include the requirement that a retrofit or add-on system must be verified to emit 25% less NO_x that the engine prior to the retrofit or add-on. The proposed changes would move these criteria from the introductory language to a new subsection entitled Retrofit System.

- A new subsection would also be added in each of these appendices to include proposed new criteria for the vehicles and equipment to be repowered. The proposed additional criteria would establish the same requirements for the ownership and use of the vehicle or equipment to be retrofitted as required under the replacement and repower project categories. This change would make the criteria consistent with the other two project categories and would help to ensure that valid emissions reductions would be achieved.

Appendix 1 through 5
Project Criteria
Pages 46, 67, 87, 107, and 124

- Proposed changes to the Project Criteria section of each of these appendices would remove provisions that are duplicative and already included in the criteria outlined in other sections of each appendix.

Appendix 1 through 10
Activity Life
Pages 50, 70, 90, 110, 128, 141, 152, 163, and 181

- A new section would be added to each appendix to establish the minimum and maximum "Activity Life" for each project category. The activity life is the period used to determine the emissions reductions and cost-effectiveness of each activity. This is also the period over which the grant recipient must commit to using the grant-funded vehicle or equipment in the eligible counties for the designated percentage and amount of annual and total use. To date, the activity life limits have been listed in the technical supplements and/or the grant application materials.

  For on-road heavy-duty vehicles, non-road equipment, and stationary equipment projects, the maximum activity life would remain at seven years, which is the limit that has been used to date. However, the maximum activity life for some projects, such as locomotive and marine vessel repower projects, has extended up to 20 years. New activity life limits are proposed to set the maximum activity life for locomotive and marine vessel projects at 10 years. The maximum activity life for on-road heavy-duty vehicle, non-road equipment, and stationary equipment projects would be set at 10 years for the new purchase or lease and the retrofit project categories, and seven years for the replacement

and repower project categories. Limiting the maximum activity life to no more than 10 years for the longer-term projects is proposed to make the activity life commitments more realistic and more likely to be fulfilled by the grant recipients. Also, the TCEQ must monitor compliance with the grant commitments by grantees over the activity life, and it is more likely that the TCEQ will be able to effectively monitor the grant-funded projects under the more realistic commitment period.

Appendix 3
NO_X Emissions Factors
Page 92

- The proposed changes to this section in the appendix pertaining to Marine Vessels would remove language stating that where EPA standards do not yet apply, the TCEQ will work with applicants to determine whether engines meet the program requirements. In addition, the statement that the EPA standards for non-road engines will be used for determining the emissions of auxiliary engines on marine vessels would also be removed. This language was included in the guidelines before the EPA had finalized and implemented emission standards for different types of marine vessel engines, including auxiliary engines. The current EPA marine engine emission standards are now used in determining the emissions of marine engines under the grant programs.

Appendix 1 through 5
Calculating Reductions in NO_X Emissions
Pages 52, 73, 92, 111, and 129

- Additional clarifying language would be added to explain that the TCEQ may establish default usage factors to be used for the activity level used in the calculations and that the default usage factors will be included in the technical supplements to the guidelines. Reference to the TCEQ establishing and using default usage factors is already included in Chapters 4, 5, 6, and 7 outlining the procedures for each of the DERI grant programs. This proposed language is intended to reiterate for the reader that default usage factors may be established for the NO_X emissions reduction calculations and to explain that those default usage factors may be found in the technical supplements to the guidelines.

Appendix 2 and 5
Calculating Reductions in NO_X Emissions
Calculation of NO_X Emissions Reductions Based on Annual Hours of Operation
Pages 73 and 130

- A new provision would be added to the procedures for calculating NO_X emissions reductions based on annual hours of operation for non-road and stationary equipment replacement and repower projects. The proposed new provision would state that, in calculating the NO_X emissions reductions, the TCEQ will use a horsepower for the replacement equipment/engine that is 110%

of the horsepower of the baseline equipment/engine, regardless of the actual maximum rated horsepower of the replacement equipment/engine. The actual rated horsepower of the replacement equipment/engine would still need to be provided in the application for the grant records.

In evaluating the best approach for using horsepower in the calculations, staff considered that the emissions reductions attributable to the grant should be based on the work performed by the original baseline equipment and engine, as represented by a certain amount or percentage of the maximum rated horsepower of that engine, that would then be performed by the newer, less-emitting equipment and engine. Also, it has been staff's experience that it is increasingly harder to confirm the horsepower of these engines, as manufacturers may vary the horsepower of an engine for use on a particular model of equipment, regardless of the maximum rated horsepower of the engine as documented on EPA or CARB certification documents.

The proposed changes would standardize how horsepower is used in the calculations by linking the work performed to a specific amount of horsepower used by the baseline equipment, regardless of whether the maximum rated horsepower of the replacement engine is different from the baseline engine. Also, the proposal to use a horsepower level for the replacement engine that is 10% higher than the baseline horsepower would account for the fact that many newer equipment models may have additional loads placed on the engine separate from the work being performed by the equipment, such as air conditioning or additional equipment options. Staff has used this approach as a pilot in recent grant rounds and it has significantly simplified the process used for calculating the NO_X emissions reductions, and staff proposes to make the changes permanent.

Appendix 1 through 10
Calculating Cost-Effectiveness
Pages 56, 76, 96, 114, 134, 143, 156, 166, and 182

- Changes are proposed for the section outlining how the cost-effectiveness of projects will be calculated. The current language provides instructions for calculating cost-effectiveness based on applying a discount rate to account for the time value of money awarded under the grant. Although this approach is still used to determine an adjusted cost-effectiveness for the grant-funded projects, the TCEQ has used the un-adjusted cost per ton of NO_X reduced to evaluate and compare projects. Using the un-adjusted cost-effectiveness was determined to be more straight-forward and easier for applicants and the TCEQ to evaluate the projects and to compare projects under a competitive application process.

The proposed revisions would explain the approach that has been used by the TCEQ to calculate the un-adjusted cost-effectiveness based on the cost per ton of NO_X reduced. The discussion regarding how the adjusted cost-effectiveness would be calculated, based on applying a discount rate, would be shortened and simplified. Because grant applications are assessed based on the cost per ton of NO_X reduced, it is not important that the detailed methodology for calculating the adjusted cost-effectiveness be included in the guidelines. The proposed changes would remove those detailed calculations in order to simplify and shorten the document.

2. Proposed Changes to *Texas Emissions Reduction Plan: Guidelines the Drayage Truck Incentive Program (RG-524)*

The TCEQ proposes to revise the Drayage Truck Incentive Program (DTIP) guidelines to incorporate proposed revisions to the program rules under 30 TAC Chapter 114, Subchapter K, Division 8. The proposed rule changes would incorporate changes to THSC, Chapter 386, by SB 1731, 85th Texas Legislature, Regular Session, 2017.

Under the statutory changes and proposed rulemaking, the name of the DTIP would be changed to the *Seaport and Rail Yard Areas Emissions Reduction (SPRY) Program*. Land-based cargo handling equipment was included in the rulemaking. Also, repowers would be added as an eligible project category. The requirements pertaining to the model year and NO_x emissions rate of the old and new vehicle and engine would also be amended.

In addition to revisions needed as a result of rulemaking, THSC, §386.183(f), authorizes the commission to modify the DTIP to improve its effectiveness and further the goals of the TERP. The TCEQ proposes to make additional changes to assist in implementing the program.

A. Summary of Changes to Incorporate Statutory and Rule Revisions

The program name is changed from Drayage Truck Incentive Program (DTIP) to Seaport and Rail Yard Areas (SPRY) Emissions Reduction Program.

- Changes are proposed to the title pages and throughout the document to remove reference to the DTIP and add reference to the SPRY Program. **(statutory and/or rule change)**

Chapter 2
Glossary, pages 5 and 6

- The definition of "cargo handling equipment" would be revised to specify that the term refers to "land-based" equipment. Per the statutory changes and the proposed rule changes, only land-based equipment would be eligible under the program. Water-borne equipment used to lift or move cargo would not qualify. **(statutory and/or rule change)**
- A definition of "repower" would be added. Repower projects were added to the program in THSC, Chapter 386, and in the proposed rules. **(statutory and/or rule change)**

Chapter 3
Eligible Seaports and Rail Yards, page 7

- Reference to cargo handling equipment would be added to the first sentence of this chapter.

Chapter 4
Eligibility Criteria
Eligible Activities, page 11

- References to cargo handling equipment and the repower of a drayage truck or cargo handling equipment would be added to the discussion of eligible activities. **(statutory and/or rule change)**

Chapter 4
Eligibility Criteria
Eligible Applicants, page 11

- References to cargo handling equipment and repower of equipment would be added to the discussion of eligible applicants. **(statutory and/or rule change)**
- The reference to the average number of visits per year the drayage truck or cargo handling equipment must have been operated in one or more of the designated seaports and rail yards for the preceding two years is changed to refer to the average number of calendar days of operation at the eligible seaports and rail yards.

Chapter 4
Eligibility Criteria
Drayage Trucks and Cargo Handling Equipment Eligible for Replacement or Repower
pages 11, 12, 13, 14 and 15

- References to cargo handling equipment and repower of equipment would be added to the eligibility criteria for the models of drayage trucks and cargo handling equipment eligible for replacement or repower. **(statutory and/or rule change)**
- The requirement that a drayage truck being replaced must have an engine model year 2006 or earlier would be removed. **(statutory and/or rule change)**
- On page 12, the requirement that the drayage truck or equipment being replaced or repowered have been operated at one or more of the eligible seaports or rail yards over the preceding two-year period for at least an average number of visits per 12-month period would be changed. The proposed change would replace the term "visits" with "calendar days."
- On page 14, the requirement that the application must certify in the application the average number of visits to the eligible facilities over the preceding two years would be changed to refer to the average number of "calendar days during

with the vehicle or equipment was operated at one or more of" the eligible facilities. The TCEQ has determined that using calendar days for the criteria instead of each individual visit to a facility would be more appropriate in determining the regular use of the vehicle or equipment at the eligible seaports and rail yards. A specific number of calendar days per year that the vehicle or equipment must have been operated at the eligible seaports or rail yards would be established by the TCEQ for each grant round, based on the TCEQ's experience in implementing the program up to that period.

- Other changes are proposed to update and clarify the criteria for a vehicle or equipment to be eligible for replacement under the program.

- Clarifying language is proposed that the vehicle or equipment being replaced or repowered has been used in its primary function in the routine operations of the applicant in Texas. This language is proposed to help ensure that only those vehicles or equipment that have been in regular use by the applicant, and therefore could be expected to continue to be used if the grant is received, will be eligible for replacement or repower.

- Language is also proposed to state that the TCEQ may require sufficient documentation be submitted with a grant application to determine that the vehicle or equipment being replaced meets the eligibility criteria.

Chapter 4
Eligibility Criteria
Drayage Trucks and Cargo Handling Equipment Eligible for Purchase
pages 14 and 15

- References to cargo handling equipment and repower of equipment would be added to the eligibility criteria for the models of drayage trucks and cargo handling equipment eligible for purchase. **(statutory and/or rule change)**

- The requirement that a drayage truck to be purchased must have an engine model year of 2010 or later would be removed. Also, the requirement that a diesel engine on a non-road yard truck or other cargo handling equipment must be certified to meet the final Tier 4 non-road engine emission standards would also be removed. In place of these requirements, requirements would be added that the drayage truck or cargo handling equipment be powered by an electric motor or contain an engine certified to the current federal emissions standards applicable to that type of engine, as determined by the commission. Also, a requirement would be added that the drayage truck or cargo handling equipment must emit NO_x at a rate that is at least 25% less than the emissions rate of the engine on the truck or equipment being replaced. **(statutory and/or rule change)**

- An additional provision would be added to explain that the NO_x emissions rate of the engines replaced or purchased under this program will be based on the emissions standard or family emissions limit to which the engine is certified by

the EPA or CARB or, for replacement of an uncontrolled engine, a baseline emissions rate established by the commission. **(statutory and/or rule change)**

Chapter 4
Eligibility Criteria
Engines or Motors Eligible for Purchase, page 15

- This new section would be added to list the criteria for engines or motors purchased for repowering a drayage truck or cargo handling equipment. The engine criteria would be the same as for drayage trucks or cargo handling equipment purchased under a replacement project. The engine or motor must be powered by electricity or be an engine certified to the current federal emissions standards applicable to that type of engine, as determined by the commission. Also, the engine or motor must emit NO_x at a rate that is at least 25% less than the emissions rate of the engine being replaced. **(statutory and/or rule change)**

- Additional language would be added to explain that the NO_x emissions rate of the engines replaced or purchased under this program will be based on the emissions standard or family emissions limit to which the engine is certified by the EPA or CARB or, for replacement of an uncontrolled engine, a baseline emissions rate established by the commission. **(statutory and/or rule change)**

Chapter 4
Eligibility Criteria
Eligible Costs, pages 16 and 17

- References to cargo handling equipment and to repower costs would be added, including a provision that the grant recipient may be eligible for reimbursement of up to 80% of the cost of an engine repower. **(statutory and/or rule change)**

- Criteria would be included to outline the types of costs that may be eligible for reimbursement under a repower project. In addition, proposed language would be added to explain that, in some cases, the repower of a drayage truck or other cargo handling equipment to convert to operation using a new technology, such as electric drive, may include the complete remanufacturing of the vehicle or equipment to new condition. The proposed language explains that the TCEQ may consider additional costs, case-by-case, where the repower of the vehicle or equipment is part of a more complete remanufacture of the vehicle or equipment. Applicants are advised to consult with TCEQ staff to determine eligibility of costs before applying for this type of repower activity.

Chapter 4
Eligibility Criteria
Eligible Grant Amounts, page 17

- Reference to cargo handling equipment and engines would be added to the discussion of eligible grant amounts. **(statutory and/or rule change)**

Chapter 5
Program Procedures
Verification of Vehicle, Equipment, and Engine Disposition, pages 20 and 21

- References to repowers would be added, including the requirement that the engine being replaced under a repower project be destroyed. **(statutory and/or rule change)**

Chapter 5
Program Procedures
Monitoring and Reporting, page 21

- References to cargo handling equipment would be added. **(statutory and/or rule change)**

- The reference to the usage reports documenting the number of "visits to," and usage at, the eligible facilities, would be changed to refer to the "number of days of operation at," and usage at, the eligible facilities.

Chapter 5
Program Procedures
Commitments, pages 22, 23, and 24

- A reference to cargo handling equipment would be added. **(statutory and/or rule change)**

- The proposed changes would remove the provision stating that each combined entry and exit to and from the seaport or rail yard is considered a visit, and that for drayage trucks operating permanently at a seaport or rail yard, each day of operation at the facility is considered a visit. Under the proposed changes explained previously, applicants would need to commit to operating at the seaports and rail yards for a specified number of calendar days over a 12-month period.

- Proposed language would be added that unless otherwise established by the TCEQ for a particular grant application period, the usage amount for the commitment by the grant recipient would be based on annual mileage for on-road vehicles used for transporting cargo away from a seaport or rail yard and annual hours of operation for on-road and non-road yard trucks, other on-road vehicles used in the same manner as a purpose-built yard truck, and other cargo handling equipment.