

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

**TEXAS NATURAL GAS VEHICLE GRANT PROGRAM (TNGVGP)
Request for Grant Applications (RFGA)
Fiscal Year Biennium 2018-2019**

**Grants for Projects to
Reduce Emissions of Nitrogen Oxides (NO_x)
Solicitation No. 582-18-80798-0721**

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.

Other Counties inside the Clean Transportation Zone: Aransas, Atascosa, Austin, Bee, Bell, Brazos, Burlison, Calhoun, Colorado, DeWitt, Duval, Falls, Fayette, Freestone, Frio, Goliad, Gonzales, Grimes, Hill, Jackson, Jim Wells, Karnes, La Salle, Lavaca, Lee, Leon, Limestone, Live Oak, Madison, Matagorda, McLennan, McMullen, Medina, Milam, Navarro, Refugio, Robertson, Walker, Washington, Webb, and Wharton Counties.

Recent Changes

Engines fueled by liquefied petroleum gas (LPG or propane) are now eligible. Also, the requirement that an applicant apply through a Participating Dealer has been removed.

April 3, 2018

**Texas Commission on Environmental Quality (TCEQ)
Air Quality Division
Implementation Grants Section (TNGVGP), MC- 204
P.O. Box 13087
Austin, Texas 78711-3087
512-239-4950**

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Applications will be accepted for this grant round on a first-come-first-served basis and must be received no later than 5:00 p.m., Central Time, May 31, 2019. Interested parties may submit applications through the TERPonline Portal, through parcel delivery, or via hand delivery. Applications received after the required deadline are not guaranteed acceptance. The award of the grant is dependent upon the availability of funding and the TCEQ may suspend acceptance of applications prior to this closing date.

Note: Applications no longer have to be submitted through a Participating Dealer. Dealerships may still assist applicants with the application, but the application should be submitted by the person or entity applying for the grant. This includes submission of the application through the TERPonline Portal.

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**Texas Commission on Environmental Quality (TCEQ)
Texas Emissions Reduction Plan (TERP)
Texas Natural Gas Vehicle Grant Program (TNGVGP)**

**Request for Grant Applications (RFGA)
Fiscal Biennium 2018-2019**

1.0 INVITATION

The Texas Commission on Environmental Quality (TCEQ or commission) invites applications from entities that currently operate heavy-duty or medium-duty motor vehicles in Texas to repower the vehicles with a natural gas engine or replace the vehicle with a natural gas vehicle. Incentive funding is available for activities that will reduce the emissions of nitrogen oxides (NO_x) in eligible counties within the designated Clean Transportation Zone. Eligibility is limited to entities that own, lease, or otherwise finance the vehicles to be replaced.

The program criteria were amended by Senate Bill (SB) 1731, 85th Texas Legislature, 2017, Regular Session. Those changes included adding liquefied petroleum gas (LPG or propane) to the definition of natural gas for purposes of this program. **General references to natural gas in this RFGA include LPG in addition to compressed natural gas (CNG) and liquefied natural gas (LNG).**

Also, applicants are no longer required to apply for a grant through a Participating Dealer. A dealership may still assist an applicant with the application, but the application should be submitted by the person or entity applying for a grant. This includes submission of an application through the TERPonline Portal.

2.0 PURPOSE

This program is established under Texas Health and Safety Code (THSC), Chapter 394. In accordance with THSC, §394.002, the commission is to establish and administer the Texas Natural Gas Vehicle Grant Program (TNGVGP) to encourage an entity that has a heavy-duty or medium-duty motor vehicle to repower the vehicle with a natural gas engine or replace the vehicle with a natural gas vehicle. Under the program, the commission is to provide grants for eligible heavy-duty motor vehicles and medium-duty motor vehicles to offset the incremental cost for the entity of repowering or replacing the heavy-duty or medium-duty motor vehicle.

3.0 PROJECT CRITERIA

3.1 ELIGIBLE APPLICANTS

Eligible grant applicants include individuals, corporations, organizations, governments or governmental subdivisions or agencies, business trusts, partnerships, associations or any other legal entity. This may also include a corporation headquartered outside of the state of Texas, but which operates vehicles primarily in an eligible county in Texas.

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 period 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.

3.2 ELIGIBLE AREAS

For this program, not less than 75% of the annual use of the grant-funded vehicle must occur in one or more of the counties listed under the Clean Transportation Zone (CTZ), which includes nonattainment areas, affected counties, and other counties inside the CTZ area (Refer to Appendix D for a map of the eligible counties).

Applicants applying with activities involved solely in the transportation of raw agricultural products and operating less than the 75% operational requirement may apply under the Raw Agricultural Product Transportation exemption. Applicants applying under this exemption should refer to Appendix E for additional information and a list of eligible counties for Agricultural Product Transportation, complete Supplemental Form 2: Agricultural Product Transportation, and submit the form with the required project application forms.

Annual use is measured by miles of operation for the grant-funded vehicle over a twelve-month annual reporting period.

3.3 ELIGIBLE ACTIVITIES

The TCEQ will provide grants for eligible medium-duty and heavy-duty motor vehicles, offsetting the incremental cost to the entity for repowering or replacing an engine or vehicle with an engine or vehicle powered by natural gas. To be eligible for funding, the cost of a replacement or repower project may not have been incurred and paid prior to the opening date of the grant round.

Under recent changes to the program, eligible natural gas fuels include CNG, LNG, and LPG.

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.

The following activities are eligible for funding under this grant round:

1) Replacement Projects

This category is for the replacement of an on-road medium-duty or heavy-duty vehicle that runs on diesel or gasoline with a **new natural gas vehicle**.

Vehicle Being Replaced

For a replacement project, the TCEQ will evaluate whether the vehicle(s) being replaced would have otherwise been used in Texas for the period within which the emission reductions will be claimed. An applicant may apply under one of the two options listed below pertaining to the ownership and use of the vehicle to be replaced under the grant. Applicants may also apply for a waiver to the two-year ownership and use requirements (see Appendix A).

- **General Standards for Ownership and Use.** An applicant may apply based on the general standards for ownership and use of the vehicle being replaced as listed below.
 - The applicant must own the vehicle at the time of application, and 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. The vehicle must also be capable of performing its primary function for the duration of the project activity life (four years).
 - The applicant 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.
 - 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.
 - Applicants must submit documentation with the application to show compliance with the ownership or lease and registration requirements, including copies of registration and the vehicle title or lease agreement for the two years immediately preceding the submission of the grant application.
 - Applicants with a vehicle with apportioned registration operating in multiple states must provide documentation showing that the vehicle was operated in Texas for at least 75% of its total use over a two year-period. Applicants are required to submit annual usage summaries 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.
- **Special Ownership Preapproval.** Alternatively, if the applicant does not own the vehicle to be replaced at the time of application, the applicant may apply based on the alternative standards for ownership and use of the vehicle outlined below.

Appendix C includes instructions for submitting a preapproval request with the application before the applicant purchases the vehicle to be replaced. The approval of the request will be dependent upon the TCEQ's approval of the application. If the request and the application are approved, the TCEQ may execute a contract with the applicant and issue a Limited Notice to Proceed (NTP), authorizing the purchase of the vehicle to be replaced.

Once the applicant has purchased the vehicle to be replaced, the applicant must submit verification of ownership, after which a final NTP may be issued, authorizing the purchase of the replacement vehicle and subsequent reimbursement of eligible expenses. The applicant would then be required to dispose of the replacement vehicle in accordance with the disposition requirements outlined in Section 3.6 of this RFGA.

Program requirements for alternative ownership and use: are listed below.

- If the applicant does not own the vehicle to be replaced at the time of application, the applicant may request preapproval by the TCEQ before the applicant purchases the vehicle.
- The vehicle being purchased by the applicant for replacement and destruction must have been continuously owned, leased, or otherwise commercially financed and operated in Texas as a fleet vehicle for at least the two years immediately preceding the submission of the grant application. Under this provision, the vehicle may have been owned or leased and operated by an entity other than the applicant, or may have been leased but not currently owned by the applicant.
- The vehicle must currently be registered for operation in a county located in the CTZ and must have been continuously inspected and registered in a county located in the CTZ for the two years immediately preceding the submission of the grant application.
- The vehicle must have been continuously used in Texas, in its primary function in the routine operations of the owner or lessee, for the two years immediately preceding the submission of the grant application. The vehicle must also be capable of performing its primary function for the duration of the project activity life.
- The applicant must show that the vocation and use of the vehicle to be replaced under this option are the same or similar to the vocation and use of the replacement vehicle to be purchased and owned by the applicant. Instructions and examples of situations that may and may not be approved are included in Appendix 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, and proof of registration for the two years immediately preceding the submission of the grant application.

Replacement Vehicle

Eligible replacement vehicles must meet the following criteria.

- The vehicle and/or engine must be included on the list of eligible vehicles and engines published by the TCEQ and must meet the criteria established for inclusion on that list.
- The vehicle and/or engine must be certified by the EPA to the current federal emissions standards or a lower family emissions limit (FEL).
- The vehicle and/or engine must be certified by the EPA to emit at least 25% less NO_x than the vehicle and/or engine being replaced.
- The vehicle must be a **new natural gas vehicle** with a gross vehicle weight rating (GVWR) of more than 8,500 pounds.
- The engine must receive not less than 60% of its power from CNG, LNG, or LPG (vehicles capable of operating independently on either natural gas or another fuel will not be eligible under this program).
- The vehicle must be of similar 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, provided the new vehicle is configured and will be used for the same purpose.

The TCEQ will evaluate whether the proposed replacement vehicle(s) 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.

- **Class 8a tandem axle vehicle(s)** operating with 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 the 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 with the overweight permit.
- **Class 8a tandem axle cement/concrete truck(s)** that have been operating with 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 approval by the TCEQ, 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.
- **Dump truck(s)**, regardless of the configuration of the vehicle(s) being replaced, may not be replaced with a dump truck that has a sleeper cab.

2) Repower Projects

This category is for the repower of an on-road medium-duty or heavy-duty vehicle that runs on diesel or gasoline with a natural gas engine.

Vehicle Being Repowered

For a repower project, the TCEQ will evaluate whether the vehicle being repowered would have otherwise been used in Texas for the period within which the emission reductions will be claimed. Applicants may apply for a waiver to the two-year ownership and use requirements (See Appendix A).

- The applicant must own the vehicle at the time of application and 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.
- The applicant 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.
- 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.
- 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.
- Applicants with a vehicle with apportioned registration operating in multiple states must provide documentation showing that the vehicle was operated in Texas for at least 75% of its total use over a two year-period. Applicants are required to submit annual usage summaries 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.

Replacement Engines and Engine Conversions

- A repower project may include the replacement of the engine on an existing vehicle with a different eligible engine. A repower project may also include conversion of the vehicle or engine with an eligible conversion system.
- The engine or conversion system must be included on the list of eligible vehicles and engines published by the TCEQ and must meet the criteria established for inclusion on that list.
- A replacement engine must be certified by the EPA to the current federal emissions standards or a lower FEL.

- A replacement engine must be certified by the EPA to emit at least 25% less NO_x than the engine being replaced.
- A conversion system must be certified or approved by the EPA for installation on the engine being converted.
- A conversion system must be certified by the EPA to the current federal emissions standards or a lower FEL, or otherwise accepted by the TCEQ as meeting the emissions criteria (See Section 3.4).
- A conversion system must be certified the EPA to a NO_x emissions standard or FEL, or otherwise accepted by the TCEQ as meeting an emissions standard, that is at least 25% less than the emissions standard or FEL of the original engine.
- The replacement or converted engine must receive not less than 60% of its power from CNG, LNG, or LPG (vehicles capable of operating independently on either natural gas or another fuel will not be eligible under this program).

3) Hurricane Harvey Exception

The TCEQ is providing an exception to the requirement that a vehicle to be replaced is being used in its primary function in the routine operations of the applicant for vehicles that were damaged or destroyed by Harvey. Applicants applying under a Harvey exception should review Appendix F, and complete Supplemental Form 1: Harvey Exception, in addition to the project application forms. 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 should follow the waiver process outlined in Appendix A.

3.4 LIST OF ELIGIBLE NATURAL GAS VEHICLES, ENGINES, AND CONVERSION SYSTEMS

To be eligible for funding the vehicle, engine, or conversion system must be included on the list of eligible vehicles, engines, and conversion systems published by the TCEQ and must meet the criteria established for inclusion on that list.

The TCEQ will regularly update the list. Inclusion on the list does not guarantee that the natural gas vehicle, engine, or conversion system will be eligible for funding under a replacement or repower project. Eligibility will depend on whether a particular activity meets all the requirements outlined in this RFGA. If a natural gas vehicle, engine, or conversion system is not currently on the list, applicants may contact the TCEQ and program staff will contact the manufacturer to determine if the vehicle, engine, or conversion system should be included.

The List of Eligible Natural Gas Vehicles, Engines, and Conversion Systems is available for viewing or download on the TERP website at www.terpgrants.org or by calling the toll-free number at 800-919-TERP (8377).

A vehicle or engine must be certified by the EPA to the current federal emission standards listed below or better, or a lower FEL.

- **Heavy-duty engines:** 0.2 grams per brake horsepower-hr (g/bhp-hr) of NO_x.
- **Chassis-certified heavy-duty vehicles:** 0.2 grams per mile (g/mi) of NO_x for heavy-duty vehicles with a GVWR of 8,501 - 10,000 pounds; 0.4 g/mi of NO_x for heavy-duty vehicles with a GVWR of 10,001-14,000 pounds. These emission levels equate to new EPA BIN 395 (interim) and BIN 630 (interim) emission standards.
- **Chassis-certified heavy-duty vehicles classified under EPA regulations as a Medium-Duty Passenger Vehicle (MDPV):** 0.07 g/mi of NO_x. This emission level equates to the current EPA BIN 5 standard and the new BIN 160 standard.

An engine conversion system must either be certified by the EPA to the current federal emission standards for a heavy-duty engine or the TCEQ may accept emissions test data in lieu of certification where the manufacturer has performed testing under EPA Federal Test Procedure (FTP) requirements. For dual-fuel engines, the FTP test results for the converted engine must meet the requirements in both diesel-only and dual-fuel mode of operation. If the TCEQ has accepted a conversion system under this alternate acceptance provision, the conversion system will be listed on the approved list.

3.5 ELIGIBLE COSTS

Maximum Grant Amounts available for replacing or repowering an existing diesel or gasoline vehicle with a natural gas vehicle or engine are listed in the Maximum Grant Amount Tables in Appendix H of this RFGA. Grant awards will provide reimbursement in the applicable table amount, not to exceed 90% of the incremental cost to replace or repower the existing vehicle. For replacement projects, the incremental cost is the capital cost to purchase the replacement vehicle minus a default scrap value \$1,000. For Repower projects, the incremental cost is the cost to purchase and install the replacement engine and associated equipment, minus a default scrap value of \$250. Eligible costs are listed below:

Replacement Projects

- **Capital Costs** – Invoice cost or cash basis for the lease costs of the vehicle, including taxes, duty, protective in transit insurance, and freight charges.
 - Leases: The vehicle may be leased and the lease costs may be covered by the grant. The grant may not be used to cover future obligations for payments under the lease. Transaction fees and finance charges under a finance lease will not be eligible under the grant.
 - Capital/Finance Leases: Must have a lease term of four years or a binding commitment to purchase at the end of the term.

- The portion of the costs reimbursed under the grant must be used for either payments made under the lease up to the date of the requested reimbursement or an upfront payment to buy down the future lease payment amounts.
- Operating/Regular Leases: Must extend for the activity life of four years.
- Commercial Finance: The vehicle purchase may be financed. Transaction fees, finance charges, and other costs to obtain the financing will not be eligible under the grant. The grant may not be used to cover future, periodic payments under a finance agreement. The portion of the costs to be reimbursed under the grant must cover a down payment or other payment of principal for the of the vehicle.
- **Other** - Global Positioning System (GPS). The costs to purchase and install a GPS to track and log the location and use of the vehicle may be included in the incremental costs. Ongoing operational and maintenance charges may not be included. The GPS system must be purchased from the TERP GPS Monitoring Service 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.

Repower Projects

The costs for repowering the vehicle may only include those costs directly associated with replacing the existing engine with the natural gas engine or for converting the existing engine to run on natural gas. The purchase and installation of the natural gas fueling system and tanks may also be covered. The grant recipient may not use the grant to pay its own administrative expenses.

- **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.
 - Miscellaneous 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.

- **Other** - Global Positioning System (GPS). The costs to purchase and install a GPS to track and log the location and use of the vehicle may be included in the incremental costs. Ongoing operational and maintenance charges may not be included. The GPS system must be purchased from the TERP GPS Monitoring Service 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.

Grant applicants must list in the application all other financial incentives and tax credits received or for which they are eligible and expect to receive for the natural gas vehicle or engine. The combined total of the TNGVGP grant and other financial incentives or assistance including tax credits received or expected to be received may not exceed the incremental costs to the grant amount. A grant recipient must return the amount of a grant that, when combined with any other grant, tax credit, or other governmental incentive received after the grant reimbursement, exceeds the incremental cost of the vehicle or engine.

The grant recipients must certify in their annual reports that the entity has not received an additional incentive, or, if an incentive has been received, include information on the incremental cost and the incentive amount in the report. If, as a result of the grant recipient receiving the additional incentive, the entity must return a portion of the grant funds, an invoice will be sent to the grant recipient for payment of the amount that must be returned.

For both replacement and repower projects, administrative costs and other internal costs of the grant recipient, including but not limited to personnel expenses, internal salaries, indirect costs, and travel will not be eligible for reimbursement. This restriction also applies to situations where the grant recipient acts as the freight/delivery provider for delivery of the grant-funded vehicle before or after acceptance of the vehicle.

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 are considered administrative costs and are not eligible for reimbursement. This determination is not intended to limit the ability of the vehicle vendor or engine installer to include reasonable and necessary costs for overseeing the work to be performed in the price of the vehicle or engine, and/or installation services.

All services or work carried out under a grant contract awarded as a result of the RFGA must be completed within the scope, time frames, and funding limitations specified in the grant contract.

3.6 DISPOSITION OF VEHICLES AND ENGINES BEING REPLACED

Once the grant has been awarded, the grantee must complete the disposition process within ninety days of reimbursement. The grantee must choose one of the following options for disposition of the vehicle or engine being replaced.

Standard Disposition Requirements

Unless otherwise approved by the TCEQ, a grant applicant must agree to dispose of vehicles and engines replaced under this program by complete destruction or otherwise rendering permanently inoperable by crushing the vehicle and engine, or drilling a 3-inch or larger hole in the engine block on both sides and cutting both frame rails in half or other preapproved alternative.

For destroyed vehicles, applicants must agree to submit a copy of a Texas Non-Repairable Vehicle Title issued by the Texas Department of Motor Vehicles (TxDMV) for the vehicle(s) replaced under this RFGA. The Texas Non-Repairable Vehicle Title must be submitted at the same time that the required disposition documentation is submitted to the TCEQ. This title is available by submitting a completed form VTR-441 along with the required fee to the TxDMV.

1) Permanent Removal from North America (replacement projects only)

The TCEQ will consider proposals for the permanent removal of vehicle(s) from Texas in lieu of destruction. Permanent removal will only be approved for the export of vehicle(s) to a destination outside of North America (United States, Canada, and United Mexican States). A detailed plan for export and the transfer of ownership of the vehicle(s) must be submitted in writing to the TCEQ either prior to, or at the time of application submission. Instructions for submitting alternative disposition requests are included in Appendix B of this RFGA.

2) Alternative Destruction

Applicants may include in the application forms a request to the TCEQ for approval of an alternative method for rendering the vehicle and engine permanently inoperable. Requests included in Form 6 of the application for approval of an alternative destruction method will be considered by the TCEQ as part of the review of the application.

If the alternative destruction method is not approved, the grant applicant will need to adhere to the standard destruction methods in completing the disposition of the vehicle and/or engine.

If the alternative destruction method is approved, that approval will be included in the grant contract.

Any request for an alternative destruction method submitted after a grant is awarded will need to be submitted to the TCEQ, and receive approval either through amendment to the grant contract or by other official means, as determined by the TCEQ.

3.7 ADDITIONAL REQUIREMENTS

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

- 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 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; regardless of the fact that the state implementation plan assumes that the change in vehicles, or operations will occur. This restriction also does not apply to the purchase of vehicles that is required only by local law or regulation or by corporate or controlling board policy of a public or private entity.
- If applying as an individual or sole proprietor, a photocopy of a state or federal identification card (i.e. driver's license) must be included in the application.
- Grant applicants must agree to monitor the use of the grant-funded vehicles and to annually report to the TCEQ for the life of each grant-funded activity (four years).
- Grant applicants must also agree to notify the TCEQ of any termination of use, change in use, sale, transfer, or accidental or intentional destruction of grant-funded vehicles during the life of each activity.
- The TCEQ is not obligated to fund a proposal from a grant applicant that has demonstrated marginal or unsatisfactory performance on current or previous grants and contracts with the TCEQ and other state agencies. A rating of marginal or unsatisfactory performance on current or past contracts may be used as a basis to lower or otherwise change the priority and ranking of an application.
- The TCEQ is not obligated to fund a proposal from a grant applicant who is currently not meeting their commitments under a TCEQ contract or who has been invoiced by the TCEQ for not meeting contract requirements.
- The TCEQ is not obligated to fund a proposal from a grant applicant with an overall compliance history classification of Unsatisfactory (55.01 or greater) on the TCEQ's Compliance History Database, for grant applicants that are subject to the rating.
- The TCEQ is not obligated to fund a proposal from a grant applicant or for a project based on a determination of the risks associated with the grant applicant and/or project, including the financial condition of the grant applicant, the extent to which application information is verified by supportable documentation, 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 a grant applicant considered to be high risk.

- The TCEQ is not obligated to fund a proposal from a grant applicant that is under federal, state, or local enforcement action for violation of environmental laws or permit conditions.

4.0 APPLICATION PROCESS

The application form is to be used to apply for a TNGVGP grant for on-road heavy-duty or medium-duty replacement or repower projects under the TCEQ's TERP program. An entity may include up to twenty-five (25) activities of vehicles that are the same weight range, engine family or test group name/code, vehicle category, and vehicle description in a single application. Multiple activities included on a single application must be the same project type: either replacement or repower. Entities may submit more than one application during this grant round.

4.1 APPLICATION SUBMISSION

Required Forms. Application forms and criteria on the activities eligible for funding under this program area may be viewed and downloaded from the TERP website at www.terpgrants.org. Copies of the forms may also be obtained by calling the TERP toll free number at 800-919-TERP (8377).

Application Submission. To apply for funding, the applicant must complete and submit a grant application which includes the required information described in the instructions included in this RFGA. Instructions for completing the forms can be found on the TERP website www.terpgrants.org with the application forms. The completed and signed forms must be submitted via the TERPonline Portal or mailed to the following:

Regular Mail:

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

Express Mail:

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

Application Deadline. Applications will be accepted and considered on a first-come-first-served basis during this grant period. 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. Unless the acceptance of applications is suspended by the TCEQ prior to the application deadline, applications must be received through the TERPonline system no later than 5:00 p.m., Central Time, May 31, 2019. Applications received after the required deadline are not guaranteed acceptance, so grant applicants are encouraged to plan their submission date accordingly.

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

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, Texas Government Code Chapter 552.

Personal Information Policy. Individuals are entitled to request and review their personal information the agency gathers on its forms. They may also have any errors in their information corrected. To review such information, contact the TCEQ TERP program at 1-800-919-TERP (8377).

4.2 APPLICATION REVIEW AND SELECTION

The TCEQ will review the applications and required documentation and will, to the extent possible, contact the applicant for any needed changes or additional information. The TCEQ may, but is not obligated to, work with grant applicants to correct problems with applications and to obtain all necessary information and documentation in order to consider the application complete. The amount of time available for correction of applications will be limited, and the TCEQ is not obligated to hold the application's place in line pending receipt of all corrections.

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 final Notice to Proceed (NTP) contingent upon receipt of the additional information.

The TCEQ may make selection for funding contingent upon agreement by the grant applicant with additional conditions or changes to the project pertaining to equipment, logistical considerations, expenses, and other program elements.

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 business entities applying for a grant 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 eligible to receive the grant and acknowledges that the grant contract may be terminated and payment may be withheld if the certification is inaccurate. Grant applicants must also submit a W-9 Form (Request for Taxpayer Identification Number and Certification Form) when submitting the application.

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.

4.3 GRANT AWARD AND CONTRACTING

Upon approval of the application, a grant contract will be developed and provided to the grant applicant to sign and return to the TCEQ. Before signature, the grant applicant should review the contract for accuracy. Upon signature and execution of the contract by the TCEQ, a copy of the signed contract will be returned to the grant applicant, at which time the grant will be considered awarded. An example contract shell will be made available on the TERP website at www.terpgrants.org.

4.4 NOTICE TO PROCEED

The execution of a contract will not be the final commitment by the TCEQ to provide the funds. A subsequent NTP will be issued to the grant recipient when sufficient funds become available, and any eligible expenses incurred prior to receipt of the notice will be at the grant recipients 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.

4.5 REIMBURSEMENT

Grant award payments will be made on a reimbursement basis for eligible expenses incurred and paid by the grant recipient. The grant recipient may submit a request for reimbursement as the purchases are completed and before the expiration of the Period of Funds Availability listed in the contract. A cost may not be considered incurred until the grant-funded goods and services have been received by the grant recipient. Grant recipients must provide documentation to show that equipment and services have been received and the expenses have been incurred and paid by the grant recipient, before reimbursement is provided by the TCEQ.

Unless otherwise approved by the TCEQ, the grant recipient may only assign the payments due from the TCEQ to one entity. The TCEQ will not split reimbursement payments among multiple entities. A properly completed Texas Application for Payee Identification Number and Notice of Assignment must be completed and 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.

A summary of all expenses and budget items must be submitted with the request for reimbursement. All reimbursement forms will be provided by the TCEQ. Forms are available on the TERP website at www.terpgrants.org or by calling the toll free TERP number at (800) 919-TERP (8377).

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. All final requests for reimbursement will need to be submitted within 45 days after this date.

For any grant activity where the grant-funded vehicle will be acquired and used under a lease or lease-purchase agreement, the period of the lease agreement must extend for 4 years from the date of completion of the request for reimbursement for each Grant Activity or, if the lease terminates earlier, the lease agreement must contain a binding commitment for the grant recipient to pay any remaining costs and to take ownership of and title to the vehicle. 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.

5.0 MONITORING AND REPORTING

Grant contracts will extend for the operational commitment period until the earlier of the fourth anniversary of the date of reimbursement of the grant-funded expenses or until the date the vehicle has been in operation for 400,000 miles after the date of reimbursement.

Annual reports on the use of the grant-funded vehicle or engine will be required, using forms to be provided by the TCEQ. If the grant recipient installs a global positioning system (GPS) from the TCEQ-authorized GPS contractor, the TCEQ may accept the reports available from the GPS service provider in lieu of the grant recipient submitting annual usage reports. In order to use this approach, the grant recipient must notify the TCEQ and agree to periodically verify the information being reported and to pay for the ongoing costs associated with obtaining the reports from the GPS provider.

The TCEQ may provide the grant recipient with a label to place on grant-funded vehicles and engines to aid both the TCEQ and the grant recipient in tracking and identification of those vehicles. The grant recipient must agree to place the label on the grant-funded vehicles.

The TCEQ has identified an approved vendor for GPS to electronically track the location and use of grant-funded vehicles. Initial installation of 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 required by the TCEQ, or the grant recipient may be required to return all or a portion of the grant funds.

The TCEQ may require the return of all or a portion of the grant funds for noncompliance with the usage and percentage of usage requirements.

6.0 PERFORMANCE EVALUATION

The TCEQ will prepare written evaluations of the performance of the grant recipient upon completion of the life of the project or more frequently, as deemed necessary by the TCEQ.

7.0 FUNDING

The total amount to be awarded under this program is approximately \$15.4 million for the 2018-2019 fiscal biennium.

The TCEQ will award at least 60% of the total amount of the grants in the fiscal biennium to motor vehicles with a GVWR of at least 33,001 pounds, if sufficient applications are received.

The TCEQ may suspend the first-come-first-served provisions and hold additional applications from a particular entity if that entity has been provisionally awarded a percentage of the funds to be determined by the TCEQ, to ensure a balanced mix of entities receiving funds.

The TCEQ may suspend the first-come-first-served provisions and hold additional applications from a particular area if projects in that area have been provisionally awarded a percentage of the funds to be determined by the TCEQ, to ensure funding is provided across a balanced mix of areas.

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 eligible grant amounts and/or a smaller amount than requested in the application.

8.0 REQUESTS TO WAIVE OWNERSHIP, REGISTRATION, AND USE REQUIREMENTS

(Refer to Appendix A for Request for Waiver of Ownership, Registration, and Use Instructions)

The grant applicant must submit a written request to the TCEQ for approval for waiver of ownership, registration, and use prior to submission of or with the grant application. The request must include an original signature of the authorized official of the grant application.

The TCEQ's determination of whether there is good cause to grant a waiver will be based on an evaluation of the factors explained in the appendices below. 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, the requirement that a project will result in at least a 25% reduction in NO_x emissions will still be met.

9.0 CONSIDERATION OF APPLICATION IN FUTURE GRANT ROUNDS

The TCEQ may, at its discretion, retain applications not selected for funding under this notice for consideration under a new notice issued for a future grant round. Grant 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: WAIVER OF OWNERSHIP, REGISTRATION, AND USE REQUIREMENTS

1.0 PURPOSE

Under THSC, §386.104(j), the TCEQ is to 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.

Note: Applicants requesting preapproval before purchasing the vehicle to be replaced must submit a request as outlined in Appendix C, rather than this waiver request process.

2.0 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 of 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 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 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 replaces a vehicle or piece of equipment that has already been taken out of service or put into limited service does not meet the criteria. Similarly, without requirements for past ownership and use, there is a risk that an 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, 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.

3.0 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 a replacement project are outlined below:

- The two-year ownership or lease 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.
- Regardless of the past ownership or lease, the grant applicant must currently have authority to destroy a vehicle being replaced. This normally will require that the grant applicant be listed as the owner on the current title.
- 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.
- 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.
- 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 a good cause to grant the waiver request.

4.0 WAIVER REQUEST INSTRUCTIONS

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 Section 4.2 below 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 and enclosed with the cover letter.

Waiver requests must be submitted prior to application submission or with the application via the TERPonline Portal or mailed to the following::

Regular Mail:

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

Express Mail:

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

4.1 WAIVER REQUEST APPROVAL/DISAPPROVAL PROCEDURES

• **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.

• **Waiver Requests Submitted with an Application**

Waiver requests submitted with an application will be considered along with the application.

- **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.

- **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:

- description to verify that the protestant is the grant applicant that submitted the waiver request;
- the issue(s) being disputed and the requested remedy;
- 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
- the applicant's affirmation that facts set forth in the appeal are true.

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, shall be final.

4.2 FORMAT FOR WAIVER REQUESTS

- **Cover Letter** - The cover letter should be signed by the Authorized Official and include the underlying instructions below.
 - Legal Name of Grant Applicant
 - Project Representative Name
 - Address
 - Contact E-Mail
 - Contact Phone Number
- **Vehicle/Equipment Information**
 - Vehicle or Equipment Information
 - Vehicle Identification Number (VIN) or Equipment Serial Number
 - Make/Model/Year (as applicable)
- **Documentation**
 - List the requirement(s) for which the waiver(s) is/are requested.
 - For each requirement, explain in detail how the project does not meet the requirement(s) and why.
 - 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.
 - 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.
 - Attach documentation to support the waiver request, such as title documents, lease and sales agreements, registration receipts, ownership agreements, etc.
 - 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.

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APPENDIX B: ALTERNATIVE DISPOSITION REQUEST PROCEDURES

1.0 PURPOSE

Vehicles replaced under the TNGVGP must be rendered permanently inoperable. Requests for approval of an alternative method to destroy the vehicle and/or engine may be included in the applicable section of the application forms.

This appendix explains the procedures a grant applicant must use to request approval of a plan to permanently remove the vehicle(s) from North America.

1.1 PERMANENT REMOVAL OF VEHICLE(S) FROM NORTH AMERICA

The TCEQ will consider proposals for the permanent removal of vehicle(s) from Texas in lieu of destruction. Permanent removal will only be approved for export of the vehicle(s) to a destination outside of North America (United States, Canada, and United Mexican States). A detailed plan for export and the transfer of ownership of the vehicle(s) must be submitted to the TCEQ either prior to, or at the time of application submission.

1.2 INSTRUCTIONS FOR SUBMITTING A REQUEST

Requests for approval of a plan to permanently remove the vehicle(s) from Texas must be submitted in writing, with an original signature of the Authorized Official.

- The request should list identifying information regarding the vehicle and engine, including:
 - Vehicle Make and Model;
 - Vehicle Identification Number;
 - Engine Make and Model; and
 - Engine Serial Number
- The request must explain the applicant's detailed plan for the transfer of ownership of the vehicle(s), including any available information about the final destination of the export, the receiving entity's identity and contact information, the method by which the requestor will transfer ownership, and any additional details explaining what will happen to the vehicle and engine. The requestor will be expected to include in that plan proposed contractual language for any transfer agreement stating that the transferee is prohibited from operating the vehicle(s) in North America and that the transferee will return an amount sufficient to cover any return of funds required by the TERP program.
- Multiple vehicles 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 vehicles that will be included in separate applications.

- 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 must be submitted via the TERPonline Portal or mailed to the following:

Regular Mail:

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

Express Mail:

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

2.0 REVIEW AND APPROVAL PROCEDURES

2.1 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. Where feasible, preliminary notification may also be provided by phone call to the grant applicant's representative.
- 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.

2.2 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.

2.3 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.

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APPENDIX C: SPECIAL OWNERSHIP PREAPPROVAL REQUEST

1.0 Purpose

Under THSC, §394.008(a)(3) the TCEQ is to establish procedures for preapproving a project where the applicant proposes to purchase a motor vehicle the applicant does not own at the time of application, for purposes of replacing the vehicle under the grant.

This appendix contains the procedures a grant applicant must use to request preapproval to purchase a motor vehicle the applicant does not own at the time of application.

2.0 Basis for Determining Same or Similar Vocation and Use

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.

The special provision for preapproval of the applicant applying prior to owning the vehicle to be replaced requires additional consideration to determine that the project would achieve NO_x emissions reductions. As outlined in the RFGA, the vehicle proposed to be purchased by the applicant for replacement under the grant must have been used in the routine operations of the owner or lessee for the same or similar vocation and use as the applicant intends to use the replacement vehicle, for at least the two years prior to application submission.

Some examples of a vehicle to be purchased for destruction that may be considered as having the same or similar vocation and use as the replacement vehicle include:

- Refuse vehicle replaced by a refuse vehicle
- Haul truck (combination semi-truck) used as a terminal tractor at a port or other facility replaced by a purpose-built on-road terminal tractor
- Delivery vehicle (straight truck/box truck/etc.) operating in or between regions of the CTZ replaced with a delivery vehicle of the same GVWR (up or down one classification) and general configuration to be operated in the CTZ
- Haul truck transporting freight on major highways in or between regions in the CTZ replaced with another haul truck that will transport freight on major highways in the CTZ
- Utility truck replaced with a utility truck

Some examples for which it would be difficult for the TCEQ to determine that the vehicle to be purchased for destruction could be considered as having the same or similar vocation and use as the replacement vehicle include:

- Straight truck used for transporting tree trimmings and yard waste replaced with a purpose-built refuse vehicle

- Haul truck used as a terminal tractor at a port or other facility replaced with a haul truck that will transport freight in the CTZ
- Delivery box truck replaced with a flatbed truck
- Day cab semi-truck used in a short-haul distribution route (i.e., local soda delivery) replaced with a haul truck that will transport freight on major highways between regions in the CTZ

3.0 Preapproval Request Instructions

Requests for preapproval 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 Section 4.2 below to prepare the written preapproval request. 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 preapproval information should be completed and enclosed with the cover letter.

Preapproval requests must be submitted at the time of application via the TERPonline Portal or mailed to the following:

Regular Mail:

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

Express Mail:

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

3.1 Preapproval Request Procedures

The Preapproval Request should be submitted with the grant application, in the format outlined under Section 3.2 below.

In addition to the Preapproval Request, Supplemental Form 3 must be completed by the current owner of the equipment included in the Preapproval request, and submitted with the grant application.

If the equipment included in the Preapproval Request has been leased by the applicant continuously for the two years prior to submission of the grant application, the applicant must submit the Preapproval Request outlined in Section 3.2 below, but will not be required to submit Supplemental Form 3.

If the request is approved, the conditions under which the preapproval was granted will 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 preapproval was granted, including the identification of the vehicle to be replaced.

Once the contract is approved, a Limited Notice to Proceed may be issued, with authorization for completing the purchase of the replacement vehicle. The grantee would then need to provide proof of purchase of the vehicle to be destroyed, and upon acceptance the TCEQ would issue a Final Notice of Proceed.

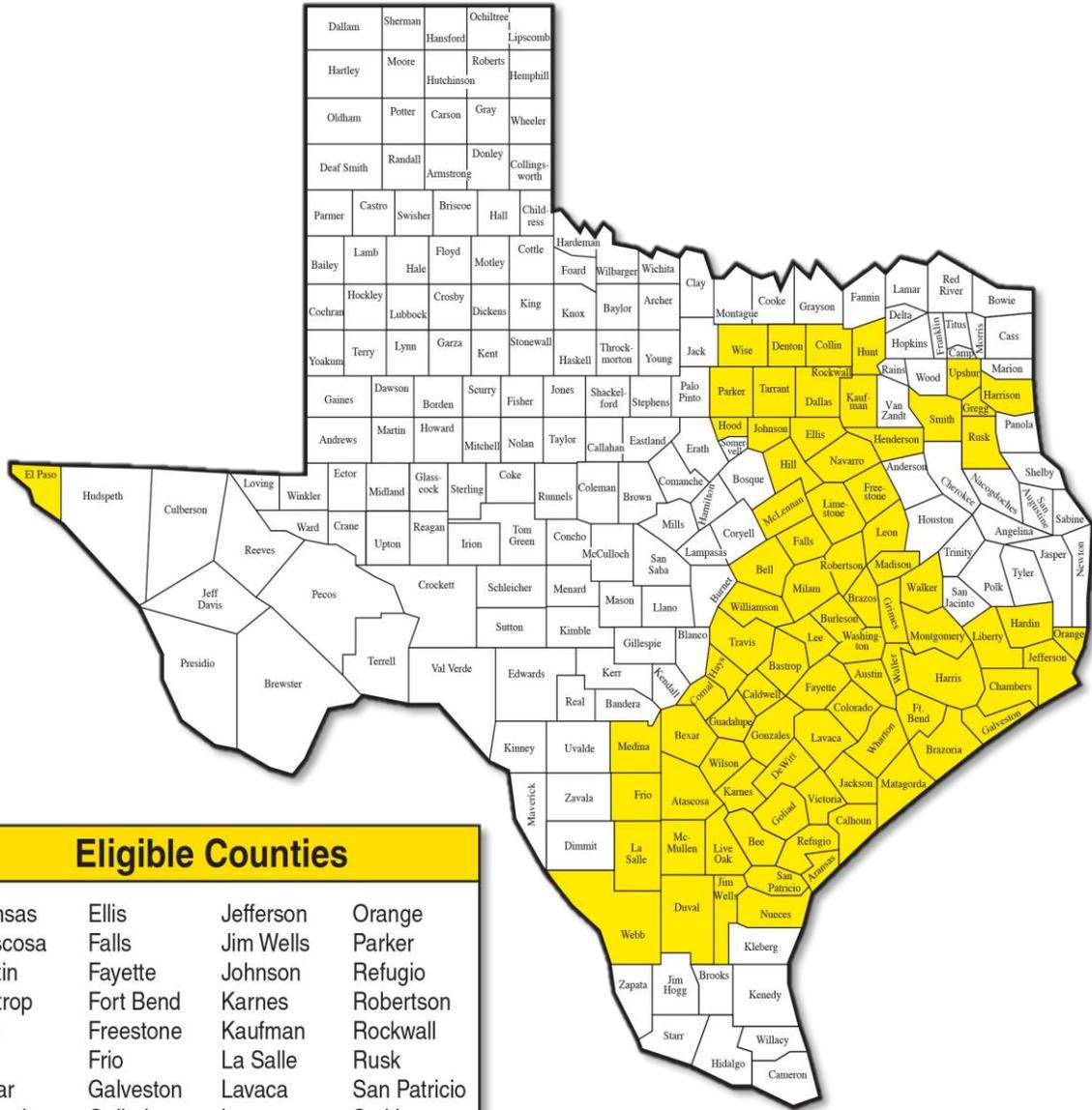
If the applicant purchases a vehicle to be replaced other than the vehicle that was preapproved by the TCEQ, the TCEQ will need to determine if that vehicle still meets the grant conditions and a contract amendment would be necessary before the TCEQ would issue a Final Notice to Proceed authorizing completion of the purchase of the replacement vehicle, or the subsequent reimbursement for the replacement vehicle.

3.2 Format for Preapproval Requests

- Cover Letter - The cover letter should be signed by the Authorized Official and include the underlying instructions below.
 - Legal Name of Grant Applicant
 - Project Representative Name
 - Address
 - Contact E-Mail
 - Contact Phone Number
- Information about the Vehicle Proposed for Purchase
 - Vehicle Description
 - Vehicle Identification Number (VIN)
 - Make/Model/Year
 - Gross Vehicle Weight Rating (GVWR)
- Explanation and Documentation
 - Provide a detailed description of the type of work that is currently being performed by the vehicle proposed for purchase, including the location and routine routes of operation.
 - Provide a detailed description of the type of work the grant-funded replacement vehicle would perform if a grant is awarded, including the location and routine routes of operation.
 - Attach documentation to support the preapproval request, such as lease and sales agreements, ownership agreements, etc.

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APPENDIX D: MAP OF ELIGIBLE COUNTIES



Eligible Counties			
Aransas	Ellis	Jefferson	Orange
Atascosa	Falls	Jim Wells	Parker
Austin	Fayette	Johnson	Refugio
Bastrop	Fort Bend	Karnes	Robertson
Bee	Freestone	Kaufman	Rockwall
Bell	Frio	La Salle	Rusk
Bexar	Galveston	Lavaca	San Patricio
Brazoria	Goliad	Lee	Smith
Brazos	Gonzales	Leon	Tarrant
Burleson	Gregg	Liberty	Travis
Caldwell	Grimes	Limestone	Upshur
Calhoun	Guadalupe	Live Oak	Victoria
Chambers	Hardin	Madison	Walker
Collin	Harris	Matagorda	Waller
Colorado	Harrison	Medina	Washington
Comal	Hays	McLennan	Webb
Dallas	Henderson	McMullen	Wharton
Denton	Hill	Milam	Williamson
DeWitt	Hood	Montgomery	Wilson
Duval	Hunt	Navarro	Wise
El Paso	Jackson	Nueces	

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APPENDIX E: AGRICULTURAL PRODUCT TRANSPORTATION

Under THSC, Chapter 386, Subchapter (B), §386.0515, projects involving the transport of raw agricultural products may be exempt from the requirements that grant-funded vehicles operate at least 75% of annual mileage in the eligible counties.

Applicants applying under this exemption should complete Supplemental Form 2: Agricultural Product Transportation, 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.

Activities submitted under this exemption must be submitted on a separate application from those activities not involved in agricultural product transportation.

A raw agricultural product is any agricultural commodity or product in its raw or natural form, including a commodity or product derived from livestock, fruits in their unpeeled natural form, and other commodity or product marketed in the United States for human or livestock consumption.

To qualify under this provision, the transport of a raw agricultural product must be from the place of production to a final destination in an eligible county or a county adjacent to an eligible county listed below:

Anderson, Bandera, Blanco, Bosque, Brooks, Burnet, Camp, Cherokee, Cooke, Coryell, Delta, Dimmit, Erath, Fannin, Grayson, Hopkins, Houston, Hudspeth, Jack, Jasper, Jim Hogg, Kendall, Kleberg, Lampasas, Marion, Montague, Morris, Nacogdoches, Newton, Palo Pinto, Panola, Polk, Rains, San Jacinto, Shelby, Somervell, Trinity, Tyler, Uvalde, Van Zandt, Wood, Zapata, Zavala.

For example, a truck dedicated to transporting raw milk from a dairy to a milk processing facility in an eligible county or an adjacent county might qualify under this provision. However, a truck that does not pick up the product from the place of production or that only passes through an eligible county or adjacent county in order to deliver the product to a facility in another county would not qualify.

Projects that qualify under this provision are not required to travel at least 75% of annual mileage in the eligible counties, but must operate a minimum 10% in the eligible area for each activity to be eligible for funding. **The standard grant amount is reduced for projects that will travel less than 75% of annual mileage in the eligible counties.** Mileage in the counties adjacent to the eligible counties does not count towards the usage percentage in determining the grant amount.

Instructions for determining maximum grant amounts are included in Appendix G of this RFGA. The reduced grant amount for an activity involving raw agricultural product transport with less than 75% of annual mileage in the eligible counties will be the maximum grant amount for that vehicle proportional to the percent of usage in the eligible areas (i.e. 25% of annual usage in eligible counties may be awarded up to 25% of the maximum grant amount for that vehicle).

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APPENDIX F: VEHICLES IMPACTED 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 damaged or destroyed by Harvey with cleaner models. This appendix outlines the special policies and procedures that will apply to eligible vehicles that have been destroyed as a result of Harvey.

Hurricane Harvey Exception to Eligibility Requirements

The TCEQ is providing an exception to the requirement that a vehicle included in a grant application to be replaced or repowered is currently in good operating condition and is being used in its primary function in the routine operations of the applicant as a result of impacts caused by Harvey. 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 should follow the waiver process outlined in Appendix A.

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 documents verifying the damage to or destruction of the vehicle.

Reimbursement

If the applicant has or will receive financial assistance for the vehicle to be replaced, the grant amount plus the financial assistance may not exceed the cost of the replacement vehicle. 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 or other organization.

Disposition

The grant contract will include the requirements for the method of destruction (disposition) of the vehicle or engine being replaced. In general, for a replacement project, the old vehicle and engine, must be rendered permanently inoperable within 90 days of receiving financial reimbursement by completely crushing the vehicle 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 permanently 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. In some cases, it may be scrapped, but in other cases it may be repaired and sold.

If the insurance company has or will take possession of the vehicle as a result of declaring it a total loss, the grantee must verify that the vehicle 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 and to providing the applicant with documentation verifying the destruction, the grantee should be prepared to exercise the option of buying back the totaled vehicle and then scrapping the unit in accordance with TERP requirements. The cost of buying back the vehicle 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.

APPENDIX G: INSTRUCTIONS FOR DETERMINING MAXIMUM GRANT AMOUNTS

Instructions are provided below for using the Maximum Grant Amount tables in Appendix H to determine the maximum grant amount available for a proposed project.

Step 1. Determine the Correct Maximum Grant Amount Table for your Project.

The Maximum Grant Amount you may be eligible for is listed in the table that corresponds to the fuel type and the certification type of the vehicle/engine to be replaced. Maximum grant amounts are provided in the following tables:

Table 1: Replacement of an On-Road Heavy-Duty Diesel Engine Certified Vehicle/Engine with an Alternative Fuel Engine Certified Vehicle/Engine

Table 2: Replacement of an On-Road Heavy-Duty Spark Ignition Certified Vehicle/Engine with an Alternative Fuel Engine Certified Vehicle/Engine

Table 3: Replacement of an On-Road Heavy-Duty Diesel Engine Certified Vehicle/Engine with an Alternative Fuel Chassis Certified Vehicle/Engine

Table 4: Replacement of a Heavy-Duty Spark Ignition Engine Certified Vehicle/Engine with an Alternative Fuel Chassis Certified Vehicle/Engine.

Table 5: Replacement of a New Chassis-Certified Vehicle/Engine with a New Chassis-Certified Vehicle/Engine.

Step 2. Determine the Gross-Vehicle Weight Rating (GVWR) of the Vehicle

The GVWR is the total allowable or recommended vehicle weight, including the loaded weight of the vehicle, driver, passengers, and cargo. The rated weight is usually found on a label affixed to the inside of the door or other area of the vehicle and may also be listed on the vehicle title and registration documents.

If the vehicle is normally operated in combination with a trailer, such as an 18-wheel semi-tractor and trailer rig, then use the Gross Combined Weight Rating (GCWR) of both the vehicle and the trailer. However, if a trailer is only attached occasionally, use the GVWR for the vehicle only. Check with the TCEQ staff if you are unsure as to what GVWR to use.

Step 3. Determine the Model Year of the Replacement Vehicle/Engine

You must know the model year of your current vehicle and engine. If the original engine was replaced with a later model year engine, use the model year of the engine and not the year of the vehicle itself.

On-road heavy duty engines are certified by the U.S. Environmental Protection Agency (EPA) to meet federal nitrogen oxides (NO_x) emission standards established by year. The standards are usually expressed in grams per brake horsepower hour (g/bhp-hr) of NO_x. Normally, an engine will be certified to meet the emission standard applicable to the year in which the engine was manufactured. However, there are exceptions to this approach as listed below:

- For heavy-duty diesel vehicles manufactured after 2006, the emission standards were phased in from 2007 through 2010. Heavy-duty engines manufactured over this period may have been certified to a NO_x emissions rate between 2.375 g/bhp-hr and 0.2 g/bhp-hr. For these 2007 and later model year heavy-duty engines. The Maximum Grant Amount tables list different NO_x emissions options for 2007 and beyond. Use the grant amount corresponding to the nearest emission rate applicable to the certified emissions rate of that engine.
- For Medium-duty vehicles with a model year of 2004 or later and certified under the light-duty vehicle standards, the applicant must verify the emissions rate to which the old vehicle and engine were certified and use the grant amount corresponding to the nearest emission rate applicable to the certified emissions rate of that engine.

Step 4: Determine the Maximum Grant Amount

Once you have selected the table applicable to the fuel type, vehicle/engine certification, and you have identified the weight category of your vehicle, find the column that applies to the year of the vehicle/engine being replaced along the top row of the table. Next, move down that column to the line corresponding to the type and GVWR of the vehicle being purchased. Note the maximum grant amount listed for that combination of old and replacement vehicle/engine.

Please contact the TCEQ if you have any questions regarding the certified emissions rate for your vehicle, by phone: 1-800-919-TERP (8377); or via email: terp@tceq.texas.gov. TERP staff are here to help.

APPENDIX H: MAXIMUM GRANT AMOUNT TABLES

Table 1: Replacement of an On-Road Heavy-Duty Diesel Engine Certified Vehicle/Engine with an Alternative Fuel Engine Certified Vehicle/Engine

Diesel Engine Vehicle		Model Year	Pre - 1989	1990	1991 - 1997	1998 - 2003	2004 - 2006	2007 +	2007 +	2007 +	2007 +	2007 +
Vehicle Type	GVWR	Emission Rate (g/bhp-hr)	10.7	6.0	5.0	4.0	2.375	2.375	2.0	1.5	1.0	0.5
HDDV2b	8,501-10,000	Max Grant Amount	\$33,850	\$22,336	\$18,309	\$14,485	\$8,271	\$8,271	\$6,837	\$4,925	\$3,013	\$1,101
HDDV3	10,001-14,000		\$64,757	\$25,381	\$20,996	\$16,611	\$9,485	\$9,485	\$7,840	\$5,648	\$3,455	\$1,263
HDDV4	14,001-16,000		\$86,342	\$40,339	\$32,922	\$25,869	\$14,771	\$14,771	\$12,210	\$8,795	\$5,381	\$1,966
HDDV5	16,001-19,500		\$86,342	\$44,671	\$35,833	\$27,818	\$15,884	\$15,884	\$13,130	\$9,458	\$5,786	\$2,114
HDDV6	19,501-26,000		\$94,191	\$53,335	\$43,672	\$34,373	\$19,627	\$19,627	\$16,224	\$11,687	\$7,150	\$2,613
HDDV7	26,001-33,000		\$107,192	\$64,976	\$53,974	\$42,701	\$24,382	\$24,382	\$20,155	\$14,519	\$5,921	\$2,164
HDDV8a	33,001-60,000		\$296,801	\$157,026	\$125,865	\$97,805	\$55,847	\$55,847	\$46,164	\$33,254	\$20,344	\$7,434
HDDV8b	> 60,000		\$309,066	\$173,270	\$138,406	\$107,373	\$61,310	\$61,310	\$50,680	\$36,507	\$22,334	\$8,161
HDDV8b Haul Truck	> 60,000		\$463,598	\$259,905	\$207,609	\$161,059	\$91,965	\$91,965	\$76,021	\$54,761	\$33,501	\$12,242
HDDBT			\$263,564	\$189,988	\$157,555	\$124,958	\$71,351	\$71,351	\$58,981	\$42,486	\$25,992	\$9,498
HDDBS			\$39,737	\$36,549	\$32,250	\$26,489	\$15,125	\$15,125	\$12,503	\$9,006	\$5,510	\$2,013

Table 2: Replacement of an On-Road Heavy-Duty Spark Ignition Certified Vehicle/Engine with an Alternative Fuel Engine Certified Vehicle/Engine

Spark Ignition Engine Vehicle		Model Year	Pre - 1987	1988-1990	1991 - 1997	1998 - 2004	2005-2007
Vehicle Type	GVWR	Emission Rate (g/bhp-hr)	10.0	5.7	4.75	3.8	1.0
HDDV2b	8,501-10,000	Max Grant Amount	\$33,542	\$22,507	\$18,451	\$14,598	\$3,244
HDDV3	10,001-14,000		\$64,167	\$25,577	\$21,159	\$16,741	\$3,720
HDDV4	14,001-16,000		\$85,556	\$40,650	\$33,177	\$26,071	\$5,794
HDDV5	16,001-19,500		\$85,556	\$45,288	\$36,111	\$28,036	\$6,230
HDDV6	19,501-26,000		\$92,361	\$53,745	\$44,010	\$34,643	\$7,698
HDDBT			\$261,163	\$191,450	\$158,776	\$125,938	\$27,986
HDDBS			\$39,375	\$36,694	\$32,500	\$26,696	\$5,933

Table 3: Replacement of an On-Road Heavy-Duty Diesel Engine-Certified Vehicle/Engine with an Alternative Fuel Chassis Certified Vehicle/Engine

Diesel Engine Vehicle		Model Year	Pre - 1989	1990	1991 - 1997	1998 - 2003	2004 - 2006	2007 +	2007 +	2007 +	2007 +	2007 +	2007 +
Vehicle Type	GVWR	Emission Rate (g/bhp-hr)	10.7	6.0	5.0	4.0	2.375	2.375	2.0	1.5	1.0	0.5	0.2
MDPV	8,501-10,000	Max Grant Amount	\$34,274	\$22,894	\$18,859	\$15,035	\$8,821	\$8,821	\$7,387	\$5,475	\$3,564	\$1,652	\$504
HD2b	8,501-10,000		\$33,791	\$22,410	\$18,376	\$14,552	\$8,338	\$8,338	\$6,904	\$4,992	\$3,080	\$1,168	
HD3	10,001-14,000		\$64,578	\$24,823	\$20,438	\$16,053	\$8,927	\$8,927	\$7,282	\$5,090	\$2,897	\$705	

Table 4: Replacement of a Heavy-Duty Spark Ignition Engine Certified Vehicle/Engine with an Alternative Fuel Chassis Certified Vehicle/Engine.

Spark Ignition Engine Vehicle		Model Year	Pre - 1987	1988-1990	1991 - 1997	1998 - 2004	2005-2007	2008 +
Vehicle Type	GVWR	Emission Rate (g/bhp-hr)	10.0	5.7	4.75	3.8	1.0	0.2
MDPV	8,501-10,000	Max Grant Amount	\$33,966	\$23,065	\$19,001	\$15,149	\$3,795	\$551
HD2b	8,501-10,000		\$33,482	\$22,582	\$18,517	\$14,665	\$3,311	
HD3	10,001-14,000		\$63,988	\$25,019	\$20,601	\$16,183	\$3,162	

Table 5: Replacement of a Chassis-Certified Vehicle/Engine with a New Chassis-Certified Vehicle/Engine.

Model Year	2005 - 2007		
Vehicle Type	MDPV	HD2b	HD3
GVWR	8,501-10,000	8,501-10,000	10,001-14,000
Max Grant Amount	\$3,088	\$2,604	\$2,232