

TCEQ, Chief Engineer's Office  
Tax Relief for Pollution Control Property Advisory Committee  
May 21, 2010  
10:00A.M. – 3:00P.M.  
TCEQ, Austin Campus,  
Building E, Room 201S

Minutes

**I. Opening Remarks..... Bob Adair, Chair**

**A. Call to order and introduction of committee meeting for the record**

Mr. Bob Adair called the meeting to order at 10:03 a. m. with eleven members present. Mr. Roland Bieber and Mr. Bennett Sandlin were absent.

**B. Public comments policy discussion**

Mr. Adair re-stated the public comment policy. No action was taken.

**C. General comments from committee members and staff**

Mr. Adair requested information about rule proposal deadlines and the ability of the committee to provide additional advice. Mr. Chance Goodin, TCEQ staff, explained that the proposal is scheduled to be filed with the commission on May 28, 2010, and that advice received during this and the June 4, 2010, meetings will be considered for discussion during the June 16, 2010, Agenda. No action was taken.

**II. Approval or Revisions of March 26 Committee Minutes..... Bob Adair**

Mr. Adair opened discussion by stating that future draft minutes would be distributed by email for approval. [Minutes](#) from the April 12, 2010, meeting were presented and discussed. Mr. Don Lee stated that the minutes failed to reflect the previous meetings discussion of staff's draft rule language related to the 'benefit at the site' resolution. Mr. David Hodgins stated that comments he had made regarding the discussion were not reflected in the minutes. Mr. Goodin stated that staff would review the audio recording, make any necessary changes, and re-circulate the minutes for approval.

**III. Consider Revisions of Rules ..... Various**

**A. Cost Analysis Procedure (CAP) and definition of Capital Cost Old (CCO) §17.2 and §17.17(a) (TCEQ staff)**

Mr. Adair opened the discussion by asking Mr. Wayne Frazell to explain the [CAP example](#) he had distributed. Mr. Frazell explained that his example is based on TCEQ staff's proposed revised CAP option 1. Marketable product is calculated using operating costs. Concerns were expressed that the example compares dissimilar facilities and is based on total facility cost. The following questions were raised: Does the equation arrive at a true value of pollution control when the application is for equipment where increased energy efficiency results in emission avoidance? Should the equipment be eligible if the payback of the investment is less than 10 years? If the equipment is installed for economic reasons should it be eligible? Mr. Cyrus Reed asked Mr. Frazell if he had used the same information to prepare an example of TCEQ staff's option 2. Mr. Frazell stated that he had and the proposed percentage was significantly different. He expressed concern that this equation is flawed.

Mr. Reed asked if any of the committee had an alternative calculation to present. Mr. Greg Maxim stated that he was working on an equation and would be ready to provide it after lunch. The committee adjourned for lunch.

The committee reconvened at 12:40 p. m. Mr. Maxim presented an alternative [calculation](#) using emissions reductions to calculate the partial determination. Several committee members commented that this option may be straight forward and easy to calculate, but it may not equate to a realistic use determination. Mr. Lee explained that basing the calculation on emission reductions had been considered and rejected by a previous agency work group. Mr. Frazell and Mr. Maxim agreed to prepare examples for the next meeting. A motion

was passed requesting TCEQ staff to review previous Tier III applications to determine if data is available to create examples using all four proposed methods. The motion passed.

**B. Consideration of “byproduct” vs. “marketable product” in §17.2 and §17.17(a) (TCEQ staff)**

Mr. Adair opened the discussion. No action was taken

**C. Part B and Flowchart (§17.14(a) and Figure 30: TAC §17.15(a))**

This issue was taken up before items III. A. and III. B. Mr. Mike Nasi presented a document titled “[May 21, 2010 – Proposed Refinements to Part B](#)”. This document is a revision of [one](#) presented at the April 12, 2010, meeting. The two major revisions are:

1. Change item B-16 to read ‘Greenhouse Gas Capture and Sequestration Equipment’.
2. Change the variable percentage for items B-4, B-12, B-15b, B-15c, and B-15d to 100%.

Several changes to item descriptions were proposed. Mr. Nasi agreed to update the document to reflect the discussion and re-present it after lunch. A motion to table the discussion until after lunch was approved.

Mr. Maxim asked if the two decision flow charts ([§17.15\(a\)](#) and [\(b\)](#)) had been addressed. Mr. Lee explained that possible changes to §17.15(a) were previously discussed as part of the ‘benefit at the site’ discussion. It was suggested that the two flow charts could be combined. Mr. Minor Hibbs, TCEQ Staff, explained that the flow charts are addressed in the rule proposal. No action was taken.

After lunch, at the completion of the discussion of items III. A. and III. B., Mr. Nasi presented a revised [Part B document](#). A motion was made to recommend that Part B of the ECL be amended to include changes listed on the revised document including the proposed descriptions and percentages. The motion passed.

**D. Other Rules**

Mr. Adair opened the discussion on new business. No action was taken.

**IV. Other ..... Bob Adair**

**A. Old Business**

Mr. Adair opened the discussion on old business. No action was taken

**B. New Business**

Mr. Adair opened the discussion on new business. No action was taken.

**C. Public Comments**

Mr. Adair opened the meeting for public comment. No additional comment was received.

**V. Adjourn**

A motion to adjourn was made at 1:43 p. m. The motion passed.

**VII. Action Items**

- Mr. Frazell will prepare examples using TCEQ Staffs options 2 and 3 and Mr. Maxim’s proposal.
- Mr. Maxim will use his proposal to prepare an example using item B-3.
- TCEQ staff will review files to see if data is available to create examples using all four proposed methods. These examples will be presented at the June 4, 2010, meeting.

**Next Meeting Date**

June 4, 2010 10:00 a. m.  
TCEQ Austin Headquarters  
12100 Park 35 Circle  
Austin, Texas 78753