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Advisory Committee
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December 13, 2018

Mr. Jon Niermann, Chairman
Ms. Emily Lindley, Commissioner
Texas Commission on Environmental Quality
P.O. Box 13087
Austin, TX 78711-3087

Dear Commissioners:

Subject: Advice for Expedited Review List and Tier I Table
Tax Relief for Pollution Control Property

The TCEQ Tax Relief for Pollution Control Property Advisory Committee has observed the following regulations as part of its responsibilities per Texas Tax Code §11.31(n) “to advise the commission regarding the implementation of this section.”

- Texas Tax Code §11.31(l) states, “The Texas Commission on Environmental Quality by rule shall update the list adopted under Subsection (k) at least once every three years. An item may be removed from the list if the commission finds compelling evidence to support the conclusion that the item does not provide pollution control benefits.”
- Texas Administrative Code Title 30, Part 1, Chapter 17, Rule §17.14(b) states, “The commission shall review and update the Tier I Table at least once every three years.”

A review of the Expedited Review List in §11.31(k) and Tier I Table in §17.14(b) were included on the Committee’s 2018 meeting agendas for April 30, September 10, and December 3, whereby public meeting notices were issued by TCEQ and comments solicited from Committee members, TCEQ staff, and the public. No comments were received regarding the Expedited Review List, so the Committee advises no change. Regarding the Tier I Table, the Committee reviewed a list, requested of and provided by TCEQ staff, of common items on Tier II and Tier III applications since 2014 that TCEQ has routinely issued full or partial positive use determinations. Based on this review, the Committee voted, without opposition, on December 3, 2018 to advise TCEQ to add the attached items to the Tier I Table.

Please feel free to contact me or any member of the Advisory Committee to discuss this advice.

Respectfully,



B. G. Adair

c: Toby Baker, Executive Director, Texas Commission on Environmental Quality

Tax Relief for Pollution Control Property Advisory Committee

Representing Industry:

Mr. Bob Adair, representing Texas Oil and Gas Association

Mr. Paul Coon, representing Association of Electric Companies of Texas

Mr. Timothy Jones, representing Texas Association of Manufacturers

Mr. Gregory P. Maxim, with Cummings Westlake LLC

Mr. Michael J. Nasi, representing Clean Coal Technology Foundation

Mr. Michael Ford, representing Texas Chemical Council

Representing Appraisal Districts:

Mr. Roland R. Bieber, Retired Chief Appraiser for Jefferson County Appraisal District

Mr. C. Wayne Frazell, with Pritchard & Abbott Inc.

Representing a School District or Junior College District:

Mr. Lloyd Graham, Superintendent of the La Porte Independent School District

Representing Taxing Units:

Mr. Don Lee, with the Texas Conference of Urban Counties

Mr. Bill Longley, with the Texas Municipal League

Representing the Environmental Group:

Dr. Cyrus Reed, with the Sierra Club

The Independent Technical Expert:

Mr. Charles Allred, an independent contractor

Advised Additions to Tier I Table in 30 TAC 17.14(a)

by TCEQ Tax Relief for Pollution Control Property Advisory Committee

Triennial Review of Tier I Table (based on review of Tier II and Tier III applications filed 2014 through April 2018)

12/3/2018

Nitrogen Oxides Controls

| Tentative No. | Media | Property | Description | % |
|---------------|-------|---|---|-----|
| A-90 | Air | Dry Low NOx Emission Systems | Equipment installed on natural gas fired compression turbines to reduce NOx emissions including combustor liners, injectors, fuel conditioning system, fuel ring, fuel control valve and pilot valve, sensors and controls, fuel gas treater, fuel nozzle assemblies, transition piece assemblies, cap assemblies, inner crossfire tubes and outer crossfire tubes. | 100 |
| A-91 | Air | Lean Burn Portions of Reciprocating Engines | Turbocharger, fuel injection system consisting of fuel nozzles positioned within a pre-combustion chamber, and precombustion chamber for engines. | 100 |

Volatile Organic Compounds Control

| Tentative No. | Media | Property | Description | % |
|---------------|-------|----------------------------|--|-----|
| A-116 | Air | Fixed Storage Tank Roofs | Fixed roofs installed on external floating roofs tanks used to store any product containing volatile organic compounds as an additional VOC control measure. | 100 |
| A-117 | Air | Geodesic Domes | Geodesic domes installed on external floating roof storage tanks as a means of controlling volatile organic compound emissions. | 100 |
| A-118 | Air | Submerged Fill Pipes | Submerged fill pipes installed in storage tanks used to store any product containing volatile organic compounds. | 100 |
| A-119 | Air | Dual Mechanical Pump Seals | The incremental cost difference between the cost of dual mechanical seal pumps and comparable single sealed pumps. | 100 |
| A-120 | Air | Seal-less Pumps | The incremental cost difference between the cost of seal-less pumps and the cost of similarly sized pumps with seals. | 100 |

Miscellaneous Control Equipment

| Tentative No. | Media | Property | Description | % |
|---------------|-------|-------------------------|---|-----|
| A-190 | Air | Airless Paint Spray Gun | Incremental cost difference between an airless paint spray gun and a comparable standard air powered paint spray gun. | 100 |

Solid Waste Management

| Tentative No. | Media | Property | Description | % |
|---------------|----------------|-----------------------|---|-----|
| S-29 | Land/ Water | Reclamation Equipment | Construction type equipment such as dozers, frontend loaders and dump trucks used exclusively for land reclamation. | 100 |

Miscellaneous Pollution Control Equipment

| Tentative No. | Media | Property | Description | % |
|---------------|------------------------|---------------------------------|--|-----|
| M-23 | Land/ Water/ Air | Remote Controlled Block Valves | When installed in pipelines used to transport hydrocarbons and natural gas as a spill control measure. | 100 |
| M-24 | Land/ Water | Nondestructive Pipeline Testing | Expenditures such as radiography. | 100 |

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by TCEQ Tax Relief for Pollution Control Property Advisory Committee

Triennial Review of Tier I Table (based on review of Tier II and Tier III applications filed 2014 through April 2018)

12/3/2018

The above referenced triennial review of Tier I is in compliance with 30 TAC §17.14(b), which states: "The commission shall review and update the Tier I Table at least once every three years.

- (1) The commission may add an item to the table only if there is compelling evidence to support the conclusion that the item provides pollution control benefits and a justifiable pollution control percentage is calculable.
- (2) The commission may remove an item from the table only if there is compelling evidence to support the conclusion that the item does not render pollution control benefits."

Tentative numbers are intended for ease of comparison with the existing Tier I Table. If approved by Commissioners, the Advisory Committee realizes TCEQ staff will assign new numbers to each item in the appropriate category.