

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

**Rebate Grants Program  
Request for Grant Applications (RFGA)  
Fiscal Year 2023**

**Solicitation No. 582-23-40640-RG**

Este documento es la Solicitud de Aplicaciones de subvenciones para el Programa de Subsidios de Reembolsos (REBATE por sus siglas en Inglés). La información en este documento lo ayudará a determinar si califica para una subvención. Comuníquese al 800-919-TERP (8377) para obtener ayuda con esta información.



<b>Key RFGA Events</b>	<b>Date</b>
Request for Public Comments Period	September 8, 2022 - September 22, 2022
Program Opening Date	October 21, 2022
Application Submission Deadline	December 19, 2022
Request for Reimbursement Deadline*	April 30, 2025

\*The Request for Reimbursement Deadline is subject to the terms and conditions of a grantee's contract.

**Texas Commission on Environmental Quality (TCEQ)  
Air Grants Division  
REBATE, MC- 204  
P.O. Box 13087  
Austin, Texas 78711-3087  
1-800-919-TERP (8377)  
[www.terpgrants.org](http://www.terpgrants.org)**

Applications will be accepted for consideration during this grant period only if received by TCEQ via electronic mail (email) at [REBATE-Apply@tceq.texas.gov](mailto:REBATE-Apply@tceq.texas.gov) or via mail, **no later than 5:00 p.m. Central Time on the application submission deadline listed on the cover page of this RFGA**. Refer to Section 4.0 for detailed instructions for submitting an application.

The award of a Rebate grant is dependent upon the availability of funding. Any changes to this solicitation will be made through an addendum in the Electronic State Business Daily (ESBD).

There will not be a pre-proposal conference.

# Table of Contents

1.0 Purpose.....	1
2.0 Program Requirements .....	1
2.1 Eligible Applicants .....	1
2.2 Eligible Project Categories .....	1
2.3 Small Businesses .....	1
2.4 On-Road Vehicles (old vehicle) .....	2
2.5 Non-Road Equipment (old equipment) .....	2
2.6 Replacement Projects .....	2
2.6.1 Replacement On-Road Vehicles (new vehicle) .....	2
2.6.2 Replacement Non-Road Equipment (new equipment) .....	3
2.7 Repower Projects .....	3
2.8 On-Vehicle Electrification Projects .....	3
2.9 New Purchase Projects .....	3
2.10 Refueling Infrastructure .....	4
2.11 Usage for Grant-funded Equipment (new vehicle, equipment, or engine) .....	4
2.12 Marketable Emissions Reductions Credits .....	5
3.0 Available Funding, Grant Amounts, and Costs .....	5
3.1 Available Funding .....	5
3.2 Maximum Grant Amounts .....	5
3.3 Incremental Costs .....	6
3.4 Eligible Costs .....	7
3.5 Ineligible Costs .....	8
4.0 Grant Application and Administration .....	8
4.1 Application Process .....	8
4.2 Selection Process .....	11
4.3 Miscellaneous Provisions .....	11
4.4 Grant Award and Contracting .....	12
4.5 Reimbursement of Expenses .....	12
4.6 Disposition Verification by TCEQ .....	13
4.7 Annual Usage Reporting .....	13
4.8 Performance Evaluation.....	14
Appendix A: Map.....	15

Appendix B: Waivers of Requirements..... 16

    Appx. B-1. Good Cause Waiver of Ownership, Registration, and Use ..... 16

        Requirements..... 16

    Appx. B-2. Good Cause Waiver for Ownership - Replacement and Disposition of Third-Party Vehicles  
    or Equipment ..... 16

    Appx. B-3. Submitting a Waiver Request..... 16

    Appx. B-4. TCEQ’s Consideration of Waivers ..... 16

    Appx. B-5. Approval of Waiver Requests ..... 17

## 1.0 Purpose

TCEQ invites applications for the Rebate Grants Program (Rebate). The Rebate program provides financial incentives to repower or replace older on-road heavy-duty diesel equipment and select non-road diesel equipment to reduce nitrogen oxide (NO<sub>x</sub>) emissions in nonattainment areas and affected counties in Texas.

## 2.0 Program Requirements

All applicants and activities must meet the eligibility requirements listed in this section at the time of application submittal to be considered for a grant.

TCEQ may waive the requirements of this section on a finding of good cause. Applicants must submit waiver requests with the application to be considered. Please refer to Appendix B for instructions on completing and submitting a waiver request.

### 2.1 Eligible Applicants

- a) Eligible applicants are individuals, state and local governments, corporations, or any other legal entity.
- b) All business entities such as corporations or partnerships must have an active registration with the Texas Secretary of State by no later than the program opening date listed on the cover page of this RFGA. If awarded a contract, businesses must maintain an active registration during the contract period.
- c) Applicants must disclose any known apparent, potential, or actual conflicts of interest to TCEQ in writing at the time the application is submitted. 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.

### 2.2 Eligible Project Categories

- a) The following emissions-reducing project categories are eligible under this grant round:
  - 1) Replacement of on-road heavy-duty diesel vehicles or non-road diesel equipment with newer models;
  - 2) Repower of heavy-duty diesel on-road vehicles or non-road diesel equipment;
  - 3) Electrification of on-road heavy-duty diesel vehicles or non-road diesel equipment; and
  - 4) Purchase or lease of new near-zero or zero emission on-road vehicles.
- b) Projects may only include on-road heavy-duty vehicles or non-road equipment types that are listed in the [FY23 Rebate Grant Tables](#).

### 2.3 Small Businesses

Small Business entities, as defined below, may be eligible for set-aside funding. The application forms will include a section for applicants to certify that they qualify as a Small Business.

Under this program, a Small Business is defined as a business owned by a person who owns and operates no more than five vehicles or pieces of equipment. At least one of those five vehicles must have been owned for more than two years and is:

- a) an on-road heavy-duty diesel vehicle; or
- b) a non-road diesel piece of equipment.

## **2.4 On-Road Vehicles (old vehicle)**

An on-road vehicle eligible for replacement or repower must:

- a) be a heavy-duty on-road vehicle with a gross vehicle weight rating (GVWR) greater than 8,500 pounds (lbs.) and is certified to or has a diesel engine certified to the United States (US) Environmental Protection Agency (EPA) heavy-duty engine emissions standards.
- b) have been owned, leased, or otherwise commercially financed and registered and operated by the applicant in Texas for at least the two years immediately preceding the application signature date;
- c) have been used in its primary function in the routine operations of the applicant in Texas for at least the two years immediately preceding the application signature date; and
- d) be in operating condition with at least five years of useful life remaining.

## **2.5 Non-Road Equipment (old equipment)**

Non-road equipment eligible for replacement or repower must:

- a) be powered by a diesel engine rated at 25 horsepower (hp) or greater;
- b) have an engine that is certified to the US EPA emissions standards for non-road engines;
- c) have been continuously owned and operated by the applicant in Texas for at least the two years immediately preceding the application signature date;
- d) have been used in its primary function in the routine operations of the applicant in Texas for at least the two years immediately preceding the application signature date; and
- e) be in operating condition with at least five years of useful life remaining.

For the purposes of this grant round, non-road equipment does not include marine vessels, locomotives, or stationary engines.

## **2.6 Replacement Projects**

This category is for the replacement of eligible on-road vehicles or non-road equipment with newer models. If awarded a grant, the applicant must destroy the old vehicle or piece of equipment.

### **2.6.1 Replacement On-Road Vehicles (new vehicle)**

The replacement on-road vehicle must:

- a) be certified to emit at least 25% less nitrogen oxides (NO<sub>x</sub>) than the old vehicle;
- b) have a vehicle model year no more than three years older than the calendar year in which it was purchased; and
- c) be of the same type, weight category, and body and axle configuration as the vehicle being replaced unless otherwise agreed to by TCEQ. The replacement vehicle must be configured and intended for use in the same application or vocation as the vehicle being replaced. TCEQ may accept vehicles of a different type, weight category, or body and axle configuration to account for the latest technology or vehicle type used in a specific vocation.
- d) Unless the vocational type of the new vehicle is exempt from registration requirements, the vehicle must be registered for operation in Texas.

### **2.6.2 Replacement Non-Road Equipment (new equipment)**

The replacement non-road equipment must:

- a) be certified to emit at least 25% less nitrogen oxides (NO<sub>x</sub>) than the old equipment;
- b) have an engine model year no more than three years older than the calendar year in which it was purchased; and
- c) be of the same type and intended for the same use in the same application or vocation.

### **2.7 Repower Projects**

This category is for the repower of an existing eligible on-road vehicle or a piece of non-road equipment with a new, rebuilt, or remanufactured engine. The existing on-road vehicle or a piece of non-road equipment must have at least two years of useful life remaining to be eligible.

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

#### **Repower of On-Road Vehicles and Non-Road Equipment (new engine)**

The new, rebuilt, or remanufactured engine must:

- a) be certified or verified to emit 25% less nitrogen oxides (NO<sub>x</sub>) than the engine being repowered or replaced. TCEQ requires "Certification" or verification by either EPA, the CARB, or another entity that has been deemed acceptable by TCEQ;
- b) be certified or verified to meet the same category of emission standards as the original engine (e.g., on-road or non-road); and
- c) use only components procured from the original engine manufacturer (OEM) or an authorized reseller unless otherwise approved by the TCEQ on a case-by-case basis.

### **2.8 On-Vehicle Electrification Projects**

This category is for the purchase and installation of equipment that enables an on-road vehicle or non-road piece of equipment to use electric power instead of power normally supplied by the propulsion engine or another onboard internal combustion engine (e.g., auxiliary power unit, refrigeration trailer).

Project types that will be considered under this grant round include:

- a) the installation of battery-powered auxiliary power units (APU) which, at a minimum, can offset 4 continuous hours of engine idle operation time;
- b) the installation of a battery-powered refrigeration unit on refrigeration trucks or trailers that can accept a direct plug-in connection while parked; and
- c) the installation of a heavy-duty electric hybrid power train system which can demonstrably reduce fuel consumption by at least 5%.

The on-road vehicles or non-road equipment that this equipment is installed on must:

- a) have a model year no more than three years older than the calendar year in which the on-vehicle electrification equipment was purchased;
- b) must be owned by the grant applicant, including the installed add-on equipment; and
- c) meet all the requirements of Section 2.4 or Section 2.5.

### **2.9 New Purchase Projects**

This category is for the purchase or lease of new on-road vehicles without the requirement to destroy an old vehicle.

New purchase projects must:

- a) include one of the on-road vehicle types listed as new purchase options on the Rebate Grant Tables;
- b) unless the new on-road vehicle operates on exclusively electricity (e.g., hydrogen, battery-electric), be certified by the EPA or the CARB to an emission standard, including family emission limits (FEL), that is less than or equal to 0.02 grams per brake-horsepower hour (g/bhp-hr) of NO<sub>x</sub>;
- c) use at least one of the following fuels: natural gas, propane, hydrogen, or electricity; and
- d) must be a new vehicle that has not been subject to first sale.

## **2.10 Refueling Infrastructure**

Applicants purchasing a qualifying vehicle or piece of equipment powered by an alternative fuel may request additional funding for onsite refueling infrastructure.

- a) Allowable alternative fuels are as follows:
  - 1) Electricity
  - 2) Hydrogen
  - 3) Compressed Natural Gas (CNG)
  - 4) Liquified Natural Gas (LNG)
  - 5) Propane (LPG)
  - 6) Methanol
- b) The refueling infrastructure must provide, at a minimum, refueling capacity to the on-road vehicles or non-road equipment purchased, replaced, or repowered through this grant program.
- c) Applicants may expand existing onsite refueling infrastructure to accommodate the additional new on-road vehicles or non-road equipment in lieu of installing new service.
- d) Applicants are required to be the owner of the site where the refueling infrastructure equipment will be installed.
- e) Applicants may only include one refueling infrastructure project site and one type of alternative fuel per application.
- f) All grant-funded refueling infrastructure must be purchased by the applicant and not leased.

## **2.11 Usage for Grant-funded Equipment (new vehicle, equipment, or engine)**

- a) Not less than 55% of the grant-funded on-road vehicle or non-road equipment operation must occur in one or more of the nonattainment areas and affected counties (see Appendix A). Applicants may elect to increase this commitment to 80% of their operation in these same areas to receive additional grant funds.
- b) Annual operation will be considered as miles traveled, hours of engine operation, or fuel consumed. For determining the total annual operation, a single unit of measurement (e.g., miles traveled) must be used. Applicants receiving a grant should be prepared to keep and maintain records of their annual operation in the unit of measurement they choose on their application.
- c) Refueling infrastructure must be owned, operated, and maintained for the duration of its annual usage reporting requirement as defined in Section 4.7 of this RFGA.



- d) For on-vehicle electrification projects, the on-road vehicle or non-road equipment on which the grant funded equipment was installed is subject to the usage requirements detailed in (a) and (b) of this subsection.

## **2.12 Marketable Emissions Reductions Credits**

A project that would otherwise generate marketable credits under state or federal emissions reduction credit averaging, banking, or trading programs is not eligible for funding under this program unless:

- a) the project includes the transfer of the reductions that would otherwise be marketable credits to the state implementation plan, or to the project owner or operator as provided by Texas Health and Safety Code (THSC) Section 386.056; and
- b) the reductions are permanently retired.

# **3.0 Available Funding, Grant Amounts, and Costs**

## **3.1 Available Funding**

- a) The total amount to be awarded under this grant program will depend upon the amount of revenue received in the TERP Trust Fund but is initially anticipated to be \$75 million.
- b) Funding will be allocated based on the following preferences:
  - 1) \$20 million of available funding will be allocated for applicants that qualify as small businesses (See Section 2.3).
  - 2) \$10 million of available funding will be allocated for new purchase projects as defined in section (See Section 2.8).
  - 3) All remaining allocated funds will be available to all other applicants, including small businesses not otherwise funded in the allocation listed above.
- c) Depending on demand and the requested grant amounts of eligible applications received, TCEQ may redistribute these allocations to best meet the purposes of the Rebate program. This may include, but is not limited to, redistributing funds within this grant program, moving funds to another grant program, or allocating additional funds to this grant program.

## **3.2 Maximum Grant Amounts**

- a) For replacement, repower, and on-vehicle electrification projects, applicants will receive up to the lesser of the following options:
  - 1) The grant amounts shown in the Rebate Grant Tables; or
  - 2) 80% of the incremental cost (see Section 3.3).
- b) For new purchase projects, applicants will receive up to the lesser of the following options:
  - 1) The grant amounts shown in the Rebate Grant Tables; or
  - 2) The incremental cost of the project (as defined in Section 3.3(c)).
- c) For refueling infrastructure associated to replacement, repower, or new purchase projects, applicants will receive up to the lesser of the following options:
  - 1) \$100,000 plus \$100,000 for each on-road vehicle or non-road piece of equipment that is fueled by the associated infrastructure in the project;
  - 2) 50% of the incremental cost of the refueling infrastructure project; or

- 3) \$600,000.
- d) Emissions reductions achieved by a Rebate grant may not be assigned for use by other incentive programs.
- e) Grant funds must be spent consistent with all applicable cost principles from 30 TAC 14.10 and the Texas Grant Management Standards (TxGMS), found at <https://comptroller.texas.gov/purchasing/grant-management/>.

### **3.3 Incremental Costs**

- a) Replacement Projects
  - 1) The incremental cost is the eligible costs to purchase the replacement vehicle minus the scrap value of the vehicle being replaced. TERP utilizes a default scrap value of \$1,000.
- b) Repower Projects
  - 1) The incremental cost is the eligible costs to purchase and install the replacement engine and associated equipment, minus the scrap value of the old engine. TERP uses a default scrap value of \$250.
- c) New Purchase Projects
  - 1) The incremental cost is the difference between the baseline cost of a diesel on-road vehicle and the incremental cost of the cleaner vehicle. The following are the baseline costs established by the TCEQ for this grant round for on-road projects.
    - Cement Truck: \$191,943
    - Class 4 Truck: \$55,869
    - Class 5 Truck: \$77,500
    - Class 6 Truck: \$98,373
    - Class 7 Truck: \$106,000
    - Class 8 Truck: \$131,760
    - Garbage Truck: \$231,326
    - Haul Truck: \$220,000
    - School Bus (Type C): \$121,100
    - School Bus (Type D): \$149,807
    - Terminal Tractor: \$152,000
    - Transit or Urban Bus: \$582,425
- d) On-Vehicle Electrification Projects
  - 1) The incremental cost is the total eligible costs to install the on-vehicle electrification equipment.
- e) The incremental cost of any proposed project must be reduced by the value of any existing financial incentive that directly reduces the cost of the proposed project, including tax credits or deductions, other grants, or any other public financial assistance.

### 3.4 Eligible Costs

- a) Eligible costs for replacement and new purchase projects include:
  - 1) cost(s) (or if leased, the capital lease cost basis) of the grant-funded on-road vehicle or non-road equipment;
  - 2) taxes and government fees;
  - 3) delivery and shipping fees;
  - 4) factory and/or extended warranties;
  - 5) maintenance and service contracts;
  - 6) mechanic and safety inspections;
  - 7) cooperative fees; and
  - 8) manufacturer or dealer processing fees not related to financing.
- b) Eligible costs for repower and on-vehicle electrification projects include:
  - 1) cost of the new engine or upgrade, including sales tax and delivery charges;
  - 2) cost(s) of additional equipment that must be installed with the new engine or upgrade;
  - 3) associated supplies directly related to the installation of the engine or system;
  - 4) the costs to remove and dispose of the old engine, if applicable;
  - 5) installation costs;
  - 6) reengineering costs, if the vehicle or equipment must be modified for the new engine to fit; and
  - 7) other ancillary costs which include shipping costs, factory and/or extended warranties, mechanic and safety inspections, cooperative fees, service and maintenance contracts, and dealer or manufacturer fees.
- c) Eligible costs for refueling infrastructure projects include:
  - 1) **Equipment** includes tangible personal property having a unit acquisition cost of \$5,000 or more (including sales tax and delivery) with an estimated useful life of over one year. Equipment purchased with grant funds should be budgeted as equipment if the sum of the separate component parts (including tax and delivery) has an original value of \$5,000 or more. TCEQ will require an itemized invoice and proof of payment for reimbursement of all equipment costs.
    - Eligible equipment costs for natural gas and alternative fuel dispensing equipment include natural gas and alternative fuel storage tanks, compressors, electrical infrastructure, and other equipment at the facility directly needed to store and dispense eligible alternative fuels.
    - Eligible equipment-related costs include contractual costs and supplies and non-capital items necessary for the installation of the equipment.
  - 2) **Supplies and Materials** includes non-construction related costs for goods and materials having a unit acquisition cost (including sales tax and delivery) of less than \$5,000 per unit. An itemized invoice and proof of payment will be required for reimbursement of all supplies and materials costs.
  - 3) **Construction** includes the costs for the enhancement or building of permanent facilities. Construction costs include:

- planning, designing, and engineering;
  - materials and labor;
  - subcontracts for services in connection with the construction; and
  - facility improvements, such as paving, foundations, and covers.
- 4) **Contractual** includes non-construction related costs for subcontracted or hired out professional services or tasks provided by a firm or individual who is not employed by the applicant. List each subcontractor/consultant separately.
- d) Eligible costs must be paid after October 21, 2022 to be considered for funding.

### **3.5 Ineligible Costs**

Ineligible costs include:

- a) insurance premiums;
- b) finance fees and charges;
- c) salaries and travel expenses for employees of the grantee;
- d) expenses of any lobbyist registered in Texas;
- e) costs associated with the preparation and submission of the application;
- f) administrative costs of the grantee, including overhead and indirect costs (e.g., office supplies, rent, marketing, and advertising);
- g) costs that do not involve an arms-length transaction, such as the use of existing inventory without a proof of purchase;
- h) any costs paid prior to October 21, 2022; and
- i) food and drink.

## **4.0 Grant Application and Administration**

### **4.1 Application Process**

- a) The application and this RFGA may be downloaded from TCEQ web site at [www.terpgrants.org](http://www.terpgrants.org), or by contacting TERP staff via email at [TERP@tceq.texas.gov](mailto:TERP@tceq.texas.gov) or by phone at 800-919-TERP (8377).
- b) A Portable Document Format (PDF) version of the draft contract may be viewed and downloaded from the TERP website at [www.terpgrants.org](http://www.terpgrants.org). The draft contract is for reference only and contains terms and conditions that are standard provisions for grants awarded under this program. Any requested changes to the draft contract must be submitted to the TCEQ in writing at the time the application is submitted. However, the applicant further understands that TCEQ will not normally change the contract language in response to individual requests from grant recipients and is under no obligation to do so. TCEQ reserves the right to modify the draft contract terms as necessary due to statutory, rule, or policy changes. Modifications will be posted to the TERP website at [www.terpgrants.org](http://www.terpgrants.org) and the ESBD.
- c) All applications for funding must be substantially complete and must be submitted by the application deadline. Submission of a grant application that is not substantially complete will be disqualified from consideration under this RFGA. A substantially complete application must include:
  - 1) all pages of the application;

- 2) all required attachments;
  - 3) applicant's contact information;
  - 4) all required signatures; and
  - 5) all the information necessary for TCEQ to review the eligibility of the project and subsequently award grant funds.
- d) Applicants will be subject to the following application submission limitations. For the purposes of these limitations, applicant includes an individual or business and all of its associated legal affiliates. Applications that exceed these limitations will be disqualified in the order they were received after reaching the stated limitation. This may include reducing the requested grant amount, at the sole discretion of the TCEQ, of one or more applications from an applicant so that the maximum allowable values below are not exceeded.
- 1) No applicant can request more than a total of \$4 million in grant funds through one or more applications per calendar month that the program is open.
  - 2) No applicant can request more than a total of \$2 million in new-purchase set-aside grant funds through one or more applications per calendar month that the program is open.
- e) Applicants may not submit more than 10 activities in a single application. If an applicant has more than 10 activities, additional applications may be submitted.
- f) Applicants that want to apply for more than one of the following project type categories must submit separate applications for each project type category.
- 1) Replacement and repower projects (including refueling infrastructure).
  - 2) New purchase projects (including refueling infrastructure).
  - 3) On-vehicle electrification projects.
- g) Applicants will be required to submit documentation and photographs with the application to demonstrate the eligibility of on-road vehicles and non-road equipment being replaced or repowered including:
- 1) color photographs of the on-road vehicle or non-road equipment, and its associated engine(s);
  - 2) on-road projects will need the following documentation:
    - a copy of the vehicle title or lease agreement, listing the applicant as the owner or lessor, for the two years immediately preceding the application signature date; and
    - registration renewal receipts for the 12 months immediately preceding the application signature date. An apportioned registration for operation in several states including Texas may be considered as proof of continuous registration and operation in Texas.
- h) Applicants with projects that include refueling infrastructure must provide documentation that includes:
- 1) a site plan with the application (including a scaled map which could be a photograph, satellite map, drawing, or similar graphic of the proposed site) that shows the planning and design of the proposed facility. The site plan must:
    - demonstrate how the vehicle or equipment may access the proposed facility; and

- provide the location of the facility within the property and include any easements, set-back requirements, and property boundaries
- 2) a demonstration of their ability to install, operate and maintain the refueling infrastructure at the proposed site by providing documentation, such as property ownership records, lease agreements or other legal agreements, that can show the following:
    - the ability to complete any required construction on the proposed site; and
    - the ability to operate on the proposed property for the next 5 years from the date the application is signed.
- i) Applicants must request TCEQ's preauthorization of an alternative method of disposition for the on-road vehicle, non-road equipment, and/or engine being replaced by completing Section 9 of the application. If approved, the alternative method of disposition will be included in the special conditions of the contract; otherwise, the standard methods described in Section 4.6 of this RFGA will be required.
  - j) Private consultants may be available to assist an applicant with completing and submitting an application. TCEQ neither encourages nor discourages the use of a consultant to assist with the application process. Consultants do not represent TCEQ, and TCEQ has no agreements where applications submitted by a particular consultant will receive more favorable treatment than other applications.
  - k) The applicant must indicate in the application if the application was prepared by a third party (someone other than the applicant or an employee of an applicant). If a third party prepares the application, the third party must also sign the application and certify that the information provided in the application is true and correct and as represented to the third party by the applicant. A third party's failure to sign the application or signing it with a false statement may make the application ineligible, may make any resulting contracts voidable, and may subject the third-party preparer to criminal or civil penalties.
  - l) By signing the application, the applicant is certifying its understanding and compliance with the statements listed in Sections 4 and 5 of the application, as well as with any state statutes, regulations, policies, guidelines, and requirements as they relate to the application, acceptance, and use of funds for the project. If any of these certifications change between submittal of the application and award of a contract, the applicant must notify TCEQ within three (3) business days of becoming aware of the change. Failure to notify TCEQ of any changes to your certifications may make the application ineligible and may make any resulting contracts voidable.
  - m) Applications will be accepted for consideration during this grant period only if received by TCEQ via electronic mail at [REBATE-Apply@tceq.texas.gov](mailto:REBATE-Apply@tceq.texas.gov) or via mail at one of TCEQ's addresses no later than 5:00 p.m. Central Time on the application submission deadline listed on the cover page of this RFGA, as long as funds are available.
  - n) Applications may be submitted electronically using one of the methods listed below. It is preferable that the application and its attachments be submitted as a single PDF, but it is not required. If the attachments for an application will be submitted as separate files, each attachment must be grouped by activity and clearly labeled with the activity number at the top of each page.
    - 1) **Submitting Applications via Email.** For applications that are submitted via email to [REBATE-Apply@tceq.texas.gov](mailto:REBATE-Apply@tceq.texas.gov), please use the following naming convention for your application file in the subject line: 'FY23 Rebate and [your legal name].'

Only one application may be submitted per email at a maximum total file size of 25MB.

- 2) **Submitting Applications via [TCEQ's FTPS Server](#).** If the application is larger than 25MB, please submit by uploading the file to TCEQ's file transfer protocol secure (FTPS) server **and selecting the share file(s) button**. Enter [REBATE-Apply@tceq.texas.gov](mailto:REBATE-Apply@tceq.texas.gov) as the email address. Detailed directions for using TCEQ's FTPS Server can be found at <https://ftps.tceq.texas.gov/help/>. **Please note: Applications uploaded to TCEQ's FTPS server without completing the share file(s) step will not be considered as submitted. [Click here](#) for detailed instructions on how to share files via TCEQ's FTPS server.**
- o) Applications may also be submitted by mailing a physical copy to one of these addresses:

**Standard Mail:**

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

**Express Mail:**

Texas Commission on Environmental Quality  
Air Grants Division, MC-204 (REBATE)  
12100 Park 35 Circle, Building F, 1st Floor, Suite 1301  
Austin, TX 78753

- p) Upon submission, all proposals become the property of the State of Texas and as such become subject to public disclosure under the Texas Public Information Act (PIA), Texas Government Code, Chapter 552.

## **4.2 Selection Process**

- a) Substantially complete applications which meet the eligibility criteria of the program will be reviewed and awarded in the order they are received.
- b) Applications which meet the criteria for the small business set-aside (Section 2.3) will be separately reviewed and awarded until the small business set-aside is exhausted.
  - 1) Any small business applications that remain after the small business set-aside is exhausted will be considered for Rebate funds in the order they were received when compared to all other applicants.
- c) Applications which meet the criteria for the new purchase set-aside will be separately reviewed and awarded until the new purchase set-aside is exhausted. These applications will not be considered outside of this allocation.

## **4.3 Miscellaneous Provisions**

- a) TCEQ provides no assurances that a project will be awarded a grant, and an applicant purchases the grant-funded vehicles or equipment at its own risk prior to the execution of a contract.
- b) TCEQ is not obligated to fund any particular project for any reason or may offer to fund less than the eligible grant amounts for any reason.
- c) TCEQ is not obligated to fund projects from applicants:
  - 1) with an outstanding invoice from TCEQ or who are in non-compliance with existing or prior TERP grants;

- 2) where the proposed activities are required by any state or federal law, rule or regulation, memorandum of agreement, or other legally binding contract;
  - 3) under federal, state, or local enforcement action for violation of environmental laws or permit conditions; or
  - 4) with an overall compliance history classification of Unsatisfactory (greater than 55.00), Under Review, or Suspended in TCEQ's Compliance History Database for applicants that are subject to the rating.
- d) TCEQ may also:
- 1) require additional conditions or changes to the project pertaining to vehicles or equipment, logistical considerations, expenses, and other program elements;
  - 2) make a determination of risks associated with the applicant and/or project and may include additional conditions to the contract to address the identified risks; or
  - 3) hold applications to be funded at a later date.
- e) If an applicant is applying for the same project under this RFGA and an RFGA under a separate TERP grant program, funding will only be awarded under one TERP program.
- f) Applicants must cooperate with TCEQ, the State of Texas, the State Auditor's Office, and any of their authorized representatives to allow access to all vehicles being replaced and all grant-funded vehicles for the purpose of on-site inspections, and/or audit. Failure to respond to or cooperate with any authorized review, inspection, or audit of the grant activities will result in the application being determined ineligible and make any resulting contracts voidable.

#### **4.4 Grant Award and Contracting**

Applicants selected to receive grant funding will be required to sign a contract with TCEQ. The approved activities outlined in the application will be represented in the contract's Scope of Work. Grant recipients commit to taking all actions necessary to ensure the successful completion and subsequent operation of the new vehicles, equipment, and/or refueling infrastructure (referred to in the contract as Grant Equipment) within the contract's time frames and funding limitations.

#### **4.5 Reimbursement of Expenses**

- a) Payments will be made on a reimbursement basis for eligible costs paid in full by the grantee minus scrappage value and any incentives, as referenced in Section 3.3.
- b) Grantees will be required to provide documentation in accordance with the contract to show that grant-funded equipment has been received and costs have been paid in full before reimbursement will be provided by TCEQ unless otherwise approved.
- c) All costs must be paid in full by the grantee, grant-funded equipment received, and final requests for reimbursement submitted to TCEQ by the request for reimbursement deadline listed in the contract. Grantees experiencing project delays may submit a written extension request to TCEQ via electronic mail at [terp\\_revise@tceq.texas.gov](mailto:terp_revise@tceq.texas.gov). Unless otherwise approved by TCEQ, an extension request must be submitted no later than 60 days prior to the request for reimbursement deadline. TCEQ's decision to grant or deny an extension request will be provided in writing to the grantee and will depend on the availability of grant funds.
- d) If the grantee finances the grant equipment, the reimbursement will be assigned to the company that provided the financing. To be paid directly, the grantee must show that the grantee paid eligible expenses that are equal to, or greater than, the reimbursement amount with cash on hand (non-borrowed funds).



- e) If the grant equipment is leased, the lease must have a term sufficient to extend to the end of the activity life or a binding commitment to purchase at the end of the term. For lease purchase arrangements, an option to buy at the end of a lease term without a binding commitment is not sufficient.

#### **4.6 Disposition Verification by TCEQ**

If selected for a grant, the old on-road vehicles, non-road equipment, and engines being replaced must be destroyed and rendered permanently inoperable within 90 days of the reimbursement payment being issued by TCEQ (commonly referred to as disposition) by:

- a) completely crushing the vehicle or equipment and engine; or
- b) cutting a 3-inch or larger hole on both sides of the engine block and cutting both frame rails in half; or
- c) for repower projects only, cutting a 3-inch or larger hole on both sides of the engine block.

TCEQ may consider alternative methods of rendering the vehicles, equipment, or engines permanently inoperable in lieu of the standard method of destruction. See the Alternative Disposition section of the applications.

Failure to comply with these requirements and those included in the contract with the TCEQ, including providing TCEQ with disposition verification within 90 days of the reimbursement payment being issued by TCEQ, may invoke the contract's remedies, including termination of the contract and the return of grant funds.

This provision does not apply to new purchase or refueling infrastructure projects. On-vehicle electrification projects may include disposition requirements if the project is replacing an on-board combustion engine.

#### **4.7 Annual Usage Reporting**

- a) The time period used to determine the emissions reductions for each activity is referred to as the Activity Life. The Activity Life will start on the date TCEQ approves disposition (or the date of reimbursement if disposition is not applicable) for an activity and will end on the earlier of:
  - 1) the fifth anniversary of the start date for the Activity Life; or
  - 2) for on-road vehicle replacement projects, 400,000 miles of vehicle operation after the start of the Activity Life.
- b) For the duration of the Activity Life, a grantee must:
  - 1) Own or lease to purchase, the grant-funded equipment (refueling infrastructure must be purchased and not leased);
  - 2) register (unless the vocational type of the vehicle is exempt from inspection and registration requirements) and operate the grant-funded vehicles in Texas, with at least 55% of the vehicles' total annual miles of operation occurring in the eligible areas;
  - 3) maintain usage and location records for the grant-funded equipment;
  - 4) maintain the grant-funded equipment in proper operating condition;
  - 5) obtain sufficient commercial insurance for each grant-funded equipment to protect against loss, damage, or liability (proof of self-insurance will be sufficient for governmental entities);
  - 6) request approval for any changes, including, but not limited to:
    - the termination of use,

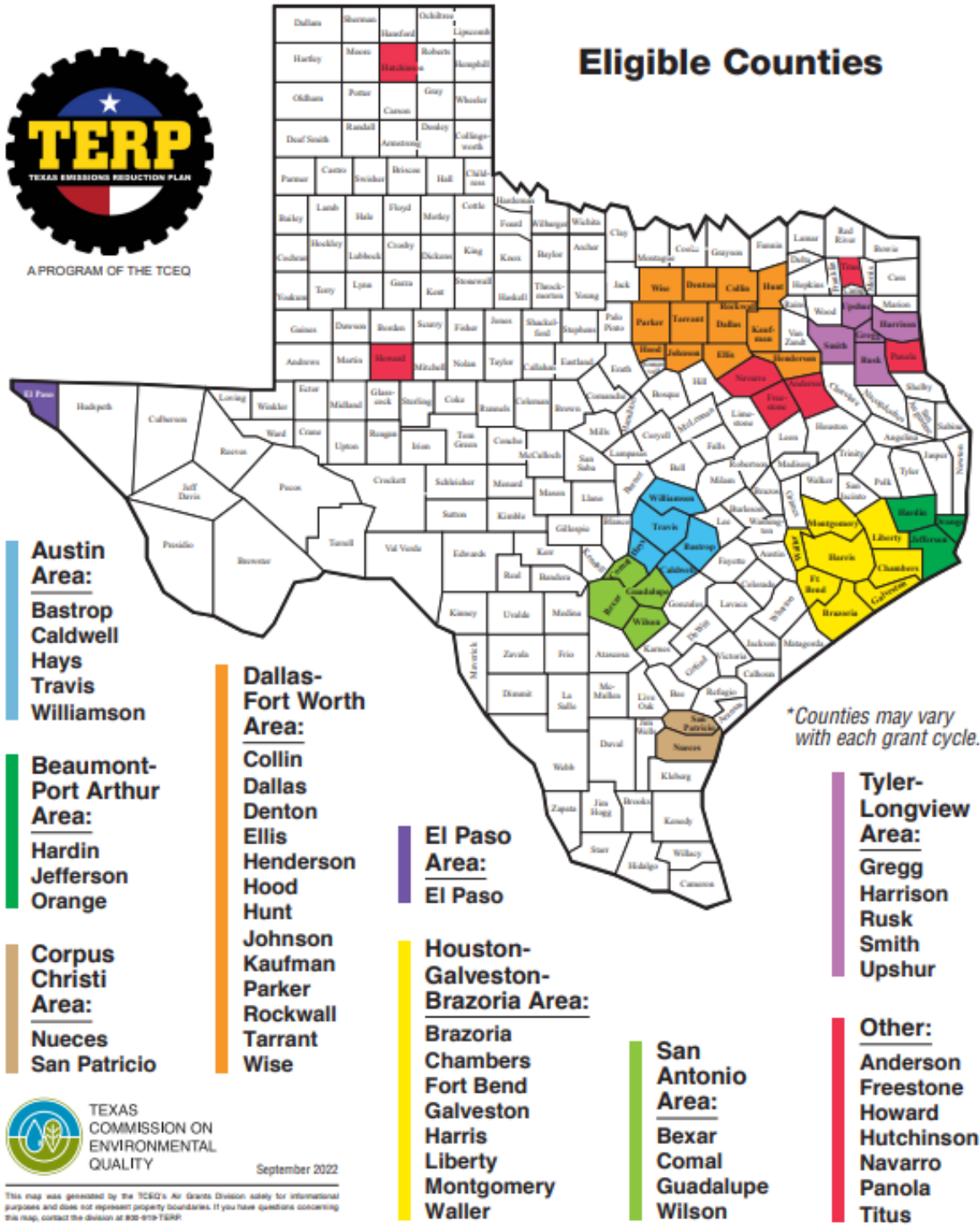
- the change in use,
  - the intentional destruction of grant-funded vehicles, or
  - the sale of grant-funded vehicles. Any sale of the grant-funded vehicle during the contract period will be subject to approval and consent to assignment by TCEQ in accordance with the contract terms.
- 7) provide written notice to the TCEQ via email at [TERP-Monitoring@tceq.texas.gov](mailto:TERP-Monitoring@tceq.texas.gov) within 30 calendar days of the accidental destruction or repossession of grant funded vehicles.
- c) During the Activity Life, grantees will provide annual usage reports. The usage reports are used to ensure compliance with the annual usage requirements identified in the contract Scope of Work and to identify any issues preventing performance.
- d) Failure to meet the requirements of Section 4.7 may invoke the contract's remedies, including termination of the contract and the return of all or a pro-rata share of the grant funds.

#### **4.8 Performance Evaluation**

The TCEQ will notify the grantee in writing upon the end of performance of the activity life or more frequently, as deemed necessary.

# Appendix A: Map

## Diesel Emissions Reduction Incentive (DERI) Program



## **Appendix B: Waivers of Requirements**

This appendix explains what TCEQ will consider when reviewing a waiver request under Section 2.0, and what an applicant must submit to request a waiver of one or more of the ownership, registration, and use requirements.

### **Appx. B-1. Good Cause Waiver of Ownership, Registration, and Use Requirements**

Sections 2.4 and 2.5 require that on-road vehicles or non-road equipment replaced under the Rebate program must have been owned, leased, or commercially financed; registered (if applicable); and operated by the applicant in Texas for at least the two years immediately preceding the application signature date. Under Texas Health and Safety Code (THSC), §386.104(j), TCEQ may consider a request to waive one or more of these 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. The burden is on the applicant to demonstrate why there is good cause to grant the waiver request.

### **Appx. B-2. Good Cause Waiver for Ownership - Replacement and Disposition of Third-Party Vehicles or Equipment**

Applicants who can demonstrate good cause may submit a waiver request to purchase on-road heavy-duty diesel vehicles or diesel non-road equipment from another entity (third-party) for the purpose of replacing and disposing of those vehicles or that equipment under the Rebate program.

Applicants applying to replace and dispose of third-party vehicles or equipment must:

- a) demonstrate that a replacement activity will result in the projected nitrogen oxides (NO<sub>x</sub>) emissions reductions;
- b) demonstrate that, absent the grant, the vehicle or piece of equipment being replaced would have continued to be operated in Texas for the duration of the contract period;
- c) provide the requested information for the vehicles or equipment on Section 6 of the application;
- d) attach to the application the documentation required in Section 4.1(g) of this RFGA for the third-party vehicles and equipment.
- e) certify on Supplemental Form 1: Program Waiver Request that the third-party vehicles or equipment meet the requirements of Section 2.4 or Section 2.5 of this RFGA and will be replaced in accordance with Section 2.6 of this RFGA.

Applicants that do not currently own the third-party vehicles or equipment must establish permission from the owner on Supplemental Form 1: Program Waiver Request to include the vehicles or equipment in the application.

If awarded a grant, a grantee must demonstrate ownership of the third-party vehicles or equipment before being reimbursed by the TCEQ.

### **Appx. B-3. Submitting a Waiver Request**

Waiver requests must be submitted with the application for which it is intended. See Section 4.1 of this RFGA for application submission instructions.

### **Appx. B-4. TCEQ's Consideration of Waivers**

All waiver requests will be considered by TCEQ on a case-by-case basis, with no assurance that a waiver will be granted.

### **Appx. B-5. Approval of Waiver Requests**

If a grant is awarded and a waiver request is approved, the conditions under which the waiver was granted may be included in the grant contract.

By signing the contract, the applicant attests to the validity of the conditions under which the waiver was granted.