

# **Request for Grant Applications (RFGA) Rebate Grants Program**

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

**Solicitation No. 582-24-85807-RG**

Este documento es la Aplicación para Solicitud de Subvenciones para el Programa de Subvenciones de Reembolsos (REBATE por sus siglas en inglés). Consulte [terpgrants.org](http://terpgrants.org) para ver si este documento está disponible en español. Comuníquese al 800-919-TERP (8377) para obtener ayuda con esta información.



<b>Important Dates</b>	<b>Date</b>
Program Opening Date	June 3, 2024
Application Submission Deadline	July 29, 2024
Request for Reimbursement Deadline	April 30, 2026

### **Contact Information**

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Applications will be accepted for consideration during this grant period only if received **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 submission. 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), as well as posted on the TERP website at [terpgrants.org](http://terpgrants.org).

There will not be a pre-proposal conference.

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## 1.0 Purpose

TCEQ invites applications for the Rebate Grants Program (Rebate). The Rebate Grants Program provides financial incentives to repower or replace older on-road heavy-duty diesel vehicles and select non-road diesel equipment to reduce nitrogen oxides (NO<sub>x</sub>) emissions in nonattainment areas and affected counties in Texas. (**Note:** TCEQ may refer to on-road heavy-duty diesel vehicles and non-road diesel equipment collectively as “equipment” throughout this RFGA.)

The Rebate Grants Program is established under Chapter 386, Subchapter C, of the Texas Health and Safety Code (THSC) to implement a portion of the Texas Emissions Reduction Plan (TERP). Rules for the program have been adopted by TCEQ in [Title 30 Texas Administrative Code, Chapter 114 \(30 TAC 114\), Subchapter K, Division 3](#). TCEQ has also adopted the Texas Emissions Reduction Plan: [Guidelines for Emissions Reduction Incentive Grants](#) (Guidelines, August 2020), which contain more specific standards governing this program.

## 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 upon 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 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 may be prohibited from receiving a grant if a TCEQ employee, spouse, or family member of a TCEQ employee has a direct or indirect interest, financial or otherwise, 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 on-road heavy-duty diesel 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 heavy-duty vehicles or non-road equipment.
- b) The specific types of on-road heavy-duty vehicles and non-road equipment eligible for **replacement** or **repower** under this program are listed in the Fiscal Year ([FY 2024 Rebate Grant Tables provided on the Rebate webpage](#)).

- c) The specific types of **on-vehicle/equipment electrification projects** will be limited to those listed in Section 2.8 of this RFGA and the FY 2024 Rebate Grant Tables provided on the Rebate webpage.
- d) The specific types of on-road heavy-duty vehicles and non-road equipment eligible for **new purchase** will be limited to those listed in Section 3.3 of this RFGA and the FY 2024 Rebate Grant Tables provided on the Rebate Webpage. Refer to Section 2.9 for specific new purchase category requirements.
- e) General information, definitions, and criteria for eligible activities are available in the Guidelines. This RFGA may contain additional requirements that apply to this application period. Potential applicants should review this RFGA, the Guidelines, and the application forms.

### **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 or pieces of equipment 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 Heavy-Duty Vehicles (old vehicle)**

On-road heavy-duty vehicles eligible for replacement or repower must:

- a) have a gross vehicle weight rating (GVWR) greater than 8,500 pounds;
- b) have a diesel engine certified to the United States (US) Environmental Protection Agency (EPA) or California Air Resources Board (CARB) heavy-duty on-road engine emissions standards;

**Note:** This does not include a vehicle over 8,500 pounds classified by the EPA as a medium-duty passenger vehicle subject to the federal light-duty vehicle emission standards

- c) be owned by the applicant at the time of application and have been continuously owned, leased, or otherwise commercially financed by the applicant for the two years immediately preceding the application date. The applicant must have been listed as the owner on the title or the lessee on the lease agreement for the two years immediately preceding the application signature date;

**Note:** Ownership or lease by an affiliate or subsidiary of the applicant does not meet these requirements.

- d) currently be used in its primary function in the routine operations of the applicant and 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;
- e) be in operating condition with at least five years of useful life remaining; and
- f) currently be registered for operation in Texas and have been continuously registered and operated in Texas (unless the vocational type of the vehicle is exempt from registration requirements) for the two years immediately preceding the application signature date.
  - a. An apportioned registration for operation in several states may be accepted as proof of continuous registration and operation in Texas if the applicant can document that at least 55% of the vehicle's annual operation occurred in Texas over the two years immediately preceding the application signature date.

- b. Applicants with apportioned registration are required to submit annual mileage summaries for the two years immediately preceding the application signature date that includes a detailed, accurate breakdown of the total miles driven within and outside of the state of Texas.
- c. TCEQ may request additional evidence or documentation relating to the ownership and/or operation of the vehicle to confirm compliance with this section.

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

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

Non-road equipment eligible for replacement or repower must:

- a) be powered by a diesel engine rated at 25 horsepower (hp) or greater;
  - Note:** This requirement refers to the hp of the engine being replaced only and does not apply to the replacement engine or technology.
- b) have an engine that is certified to the US EPA or CARB 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) currently be used in its primary function in the routine operations of the applicant and 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.

## **2.6 Replacement Projects**

This category is for the replacement of eligible on-road heavy-duty vehicles or non-road equipment with newer models.

If awarded a grant, the applicant must destroy the old vehicle or equipment.

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

The replacement on-road heavy-duty vehicle must:

- a) be certified or verified to emit at least 25% less NO<sub>x</sub> than the old vehicle. The TCEQ requires "Certification" by either the EPA, the CARB, or another entity that has been deemed acceptable by TCEQ;
- b) have a vehicle model year no more than three years older than the calendar year in which it was purchased;
- c) be registered for operation in Texas (unless the vocational type of the new vehicle is exempt from registration requirements); and
- d) 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.

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

The replacement non-road equipment must:

- a) be certified or verified to emit at least 25% less NO<sub>x</sub> than the old equipment. The TCEQ requires "Certification" by either the EPA, the CARB, or another entity that has been deemed acceptable by TCEQ;

- 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 as the equipment being replaced. TCEQ may accept equipment of a different type to account for the latest technology or vehicle type used in a specific vocation.

## **2.7 Repower Projects**

This category is for the replacement of an existing engine on an on-road heavy-duty vehicle or a piece of non-road equipment with a new, used, rebuilt, or remanufactured engine, or electric motors, drives, or fuel cells. The existing on-road heavy-duty vehicle or piece of non-road equipment must have at least five 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 Heavy-Duty Vehicles and Non-Road Equipment (new engine)**

The new, used, rebuilt, or remanufactured engine, or electric motor, drive, or fuel cell must:

- a) be certified or verified to emit 25% less NO<sub>x</sub> than the engine being repowered or replaced. TCEQ requires "Certification" or verification by either the 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 (i.e., on-road or non-road);
- c) have an engine model year no more than three years older than the calendar year in which the engine was purchased; and
- d) use only components procured from the original engine manufacturer (OEM) or an authorized reseller unless otherwise approved by TCEQ on a case-by-case basis.

## **2.8 On-Vehicle/Equipment 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 heavy-duty vehicle or piece of 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) be owned by the 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 heavy-duty vehicles or non-road equipment without the requirement to destroy an old vehicle or piece of equipment.

The specific types of on-road heavy-duty vehicles and non-road equipment eligible for **new purchase** are limited to those listed in Section 3.3 of this RFGA and the FY 2024 Rebate Grant Tables provided on the Rebate Webpage.

New purchase projects must:

- a) be certified by EPA or 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> (unless the new on-road heavy-duty vehicle operates exclusively on electricity);
- b) use at least one of the following fuels: compressed natural gas (CNG), liquefied natural gas (LNG), liquefied petroleum gas (LPG), hydrogen, or electricity; and
- c) be a new on-road heavy-duty vehicle or piece of non-road equipment that has not been subject to first sale.

## **2.10 Refueling Infrastructure**

Applicants purchasing an eligible on-road heavy-duty vehicle or piece of equipment powered by an alternative fuel may request additional funding for onsite refueling infrastructure.

- a) Alternative fuels include: electricity, hydrogen, CNG, LNG, LPG, and 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 grant-funded on-road heavy-duty 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 unless the applicant establishes permission to install and operate the grant-funded equipment at the site during the contract period.
- e) The refueling infrastructure must be installed in a nonattainment or affected county.
- f) Applicants may only include one refueling infrastructure project site and one type of alternative fuel per application.
- g) Applicants are required to be the owner of the refueling infrastructure equipment.

## **2.11 Operation of Grant-Funded Equipment (new vehicle, equipment, or engine)**

- a) At least 55% of the grant-funded equipment's operation must occur in one or more of the nonattainment areas and affected counties (see Appendix A). At the time of application, applicants may elect to increase this commitment to 80% of their operation in these same areas to receive additional grant funds. TCEQ may require a return of grant funds if the grant-funded equipment's percentage of total annual operation in the nonattainment areas and affected counties drops below the commitment of 55% or 80% throughout the activity life.
- 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 must 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 4.8 of this RFGA.
- d) For on-vehicle/equipment electrification projects, the on-road heavy-duty 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 \$92 million.
- b) Funding will be initially allocated based on the following special considerations:
  - 1) \$30 million of available funding will be allocated for applicants that qualify as small businesses (See Section 2.3).
  - 2) \$20 million of available funding will be allocated for new purchase projects (See Section 2.9).
  - 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 the lesser of:
  - 1) the grant amount 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 the lesser of the:
  - 1) grant amount shown in the Rebate Grant Tables; or
  - 2) incremental cost of the project (as defined in Section 3.3(c)).
- c) For refueling infrastructure associated with replacement, repower, or new purchase projects, applicants will receive the lesser of:
  - 1) \$100,000 plus \$100,000 for each grant-funded on-road vehicle or non-road piece of equipment that is fueled by the associated infrastructure in the project;
  - 2) 50% of the eligible incremental cost of the refueling infrastructure project; or
  - 3) \$600,000.
- d) 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**

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.

#### a) Replacement Projects

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

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

The incremental cost is the difference between the manufacturer's suggested retail price, documented dealer price, or other appropriate baseline cost established by the TCEQ for a diesel on-road heavy-duty vehicle or piece of non-road equipment, and the actual cost of the cleaner vehicle or piece of equipment. The following are the baseline costs established by TCEQ for this grant round:

- 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 (On-Road or Non-Road): \$152,000
- Transit or Urban Bus: \$582,425

#### d) On-Vehicle Electrification Projects

The incremental cost is the total eligible costs to install the on-vehicle electrification equipment.

#### e) Refueling Infrastructure Associated with Grant-Funded Equipment

The eligible incremental cost is the eligible cost to purchase and install the refueling infrastructure and associated equipment.

### **3.4 Eligible Costs**

a) Eligible costs must be paid after June 3, 2024, to be considered for funding.

b) Eligible costs for replacement and new purchase projects include:

- 1) cost(s) of the grant-funded on-road vehicle or non-road equipment, i.e.:
  - Invoice purchase price;
  - Capital lease cost basis; or

- Sum of operating lease payments over the contract's activity life.
- 2) taxes and government fees;
  - 3) protective in-transit insurance;
  - 4) delivery and shipping fees;
  - 5) factory and/or extended warranties;
  - 6) maintenance and service contracts;
  - 7) mechanic and safety inspections;
  - 8) cooperative fees; and
  - 9) manufacturer or dealer processing fees not related to financing.
- c) Eligible costs for repower and on-vehicle electrification projects include:
- 1) cost of the new engine or upgrade, including sales tax, protective in-transit insurance, 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 (including technical design, testing, and other engineering services required as part of the installation); 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.
- d) 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 alternative fuel dispensing equipment including 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.

### **3.5 Ineligible Costs**

Ineligible costs include, but are not limited to:

- 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 arm's-length transaction, such as the use of existing inventory without a proof of purchase or a transaction with a related business affiliate.
  - 1) Transactions between related businesses (subsidiary, sister, or parent companies) are not considered arms' length transactions, and indicate a potential conflict of interest. TCEQ will consider costs between business affiliates as ineligible unless sufficient documentation is provided demonstrating that procedures are in place to mitigate any conflict of interest. Grantees should seek approval from TCEQ prior to incurring and paying expenses of this nature.
- h) food and drink; and
- i) any costs paid prior to June 3, 2024.

## **4.0 Grant Application and Administration**

### **4.1 Application Forms**

- a) The application and this RFGA may be downloaded from the [Rebate Grants webpage](#). Copies of the forms may also be obtained by calling the TERP toll-free number at 800-919-TERP (8377).
- b) All applications for funding must be submitted within the application submission period listed on the cover page of the RFGA. If an application is found to be incomplete, TCEQ will notify the applicant in writing and provide details about what is missing from the application. Applicants will be provided a deadline to submit the missing information to TCEQ. A 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.

- c) Applicants will be subject to the following application submission limitations. For the purposes of these limitations, an "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 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 \$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 \$2 million in new-purchase set-aside grant funds through one or more applications per calendar month that the program is open.
- d) 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, subject to the limit in 4.1c), above.
- e) Only one primary area, project type (replacement/repower/electrification/new purchase), and/or emissions source (on-road/non-road) may be included per application.
- f) An activity is not eligible if it is currently required by any state or federal law, rule, regulation, memorandum of agreement, or other legally binding document. This restriction does not apply to the purchase of equipment that is required only by local law or regulation or by corporate or controlling board policy of a public or private entity.
- g) Applicants will be required to submit documentation and photographs with the application to demonstrate the eligibility of on-road heavy-duty vehicles and non-road equipment being replaced or repowered including:
- 1) color photographs of the on-road vehicle or piece of 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 lessee, for the two years immediately preceding the application signature date;
    - registration renewal receipts for the 12 months immediately preceding the application signature date; and
    - annual mileage summaries for vehicles with apportioned registrations.
- 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 a length of time equal to the activity life of the grant-funded equipment.
- 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 4.7 of this RFGA will be required.

## 4.2 Application Process

- a) Applications will be accepted for consideration during this grant period only if received by TCEQ 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.
- b) Applications may be submitted securely by uploading the file to [TCEQ's FTPS Server](#) and selecting the share file(s) button. Enter Rebate-Apply@tceq.texas.gov as the email address. See [detailed directions for using TCEQ's FTPS site](#). **Please note: Applications uploaded to TCEQ’s FTPS server without completing the share file(s) step will not be considered as submitted.** [Learn how to create an account and submit your application via the FTPS site in this step-by-step video guide](#). 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.
- c) 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, 1<sup>st</sup> Floor, Suite 1301  
 Austin, TX 78753

**Consultants and Third-Party Preparers:** Applicants may enlist private consultants to assist 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. As noted under the requirements of Section 3.5, any fees charged by a consultant are the responsibility of the applicant and may not be charged to the grant, either directly or as an addition to the cost basis of the grant-funded equipment.

The applicant must indicate if the application was prepared by a third party (someone other than the applicant or an employee of the 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.

- d) **Application Certifications.** By signing the application, the applicant is certifying its understanding and compliance with the statements in the application, including the General Certifications. If any of these certifications materially change after submittal of the application, you will provide prompt notification to TCEQ within three (3) business days of

becoming aware of the change. Failure to notify TCEQ and/or any changes to your certifications may make the application ineligible and may make any resulting contracts voidable.

- e) **Sample Contract.** A PDF version of the draft contract may be viewed and downloaded from the TERP website at [terpgrants.org](http://terpgrants.org). This 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 a draft contract must be submitted to TCEQ in writing at the time the application is submitted. However, by signing and submitting the application, the applicant 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. Requesting to negotiate contract terms may also result in a delay in receiving an award and may result in TCEQ rescinding an award if the parties are not able to come to a mutual agreement. 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 [terpgrants.org](http://terpgrants.org) and the ESBD.
- f) 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.
- g) 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 TERP staff at 800-919-TERP (8377) or [TERP@tceq.texas.gov](mailto:TERP@tceq.texas.gov).

### **4.3 Acceptance and Approval**

- a) Applications will be date stamped as they are received by TERP program staff. Properly completed applications with eligible projects will be processed for approval and awarded on a first-come, first-served basis until all available funding is exhausted.
- b) Applications that 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 that meet the criteria for the new purchase set-aside will be separately reviewed and awarded until the new purchase set-aside is exhausted. Once the new purchase allocation is exhausted, no additional new purchase applications will be considered.

### **4.4 Additional Considerations**

- a) If an applicant is applying for the same project under this RFGA and an RFGA under a separate TERP or Texas Volkswagen Environmental Mitigation Plan (TxVEMP) grant program, funding will only be awarded under the first program that awards a grant for the submitted project.
- b) TCEQ will review the applications for selection pending receipt of all needed information or documentation. The issuance of a contract may be contingent upon receipt of the additional information.
- c) Based on the number and types of applications received, 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.
- d) TCEQ provides no assurances that a project will be awarded a grant, and an applicant purchases any vehicles or equipment at its own risk prior to the execution of a contract.

- e) 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.
- f) 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.
- g) 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.
- h) TCEQ may conduct site visits at any point of the application review process or after award of the grant. 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 or equipment being replaced and all grant-funded equipment 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 to be determined ineligible, make any resulting contracts voidable, and require the return of all or a pro-rata share of the grant funds awarded.
- i) TCEQ believes this to be a taxable grant. This is not a "rebate" in the sense of a reduction in sales price between a seller or manufacturer and a purchaser, which would not be taxable.

#### **4.5 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.

Successful applicants will be notified of their selection and the amount of grant funds that may be awarded. Upon the applicant's signature and final execution of the contract by TCEQ, a copy of the signed contract will be returned to the applicant, at which time the grant will be considered awarded and executed.

#### **4.6 Reimbursement of Expenses**

- a) All grants are paid 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. To receive grant funds, all grant-funded equipment and eligible costs directly related to the use of the grant equipment must have been paid for, received/performed, and in operation on or before the Request for Reimbursement Deadline indicated in the contract. All final requests for reimbursement (RFR) must be received by TCEQ by this deadline. The RFR form is available on the TERP website [terpgrants.org](http://terpgrants.org) or by calling TERP at 800-919-TERP (8377). 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.

- b) TCEQ may advance funds to grant recipients who are governmental entities on a case-by-case basis. These grant recipients must agree to any special terms or conditions that may be required by TCEQ. If TCEQ advances funds to the grant recipient, TCEQ will reconcile the advanced funds with the actual documented, eligible, final project costs to ensure the grant recipient only received sufficient funds to reimburse those costs.
- c) Grantees experiencing project delays may submit a written extension request to TCEQ via email 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 they have 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.

## **4.7 Disposition**

If selected for a grant, the grant recipient is responsible for completing the disposition of the old equipment and engines being replaced or repowered and providing disposition verification to TCEQ within 90 days after the reimbursement is issued by TCEQ.

Disposition requires that the old equipment and engine be destroyed and rendered permanently inoperable. The structural damage to the equipment must be such that repairs are not possible.

Failure to comply with these requirements and those included in the contract with TCEQ may invoke the contract's remedies, including termination of the contract and the return of grant funds.

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

### **4.7.1 Standard Disposition**

Within 90 days after the reimbursement, the grant recipient must dispose of the old equipment and engine by:

- a) completely crushing the vehicle or equipment and engine; or
- b) cutting a 3-inch or larger hole in the engine block and, for a replacement project, cutting both frame rails or other main structural components of the equipment in half.

### **4.7.2 Alternative Disposition**

TCEQ may consider alternative methods of rendering the equipment or engines permanently inoperable in lieu of the standard method of disposition. See the Alternative Disposition section of the application.

The applicant must provide a detailed explanation of the alternative method of disposition in Section 9 of the application. If approved, TCEQ will include the alternative disposition method in the Special Conditions of the Contract. If TCEQ does not approve the alternative disposition method, the grantee must follow the Standard Disposition requirements outlined above in Section

4.7.1. Grant applicants may request TCEQ's preauthorization of an alternative method for rendering the equipment and engine permanently inoperable.

#### **4.7.3 Disposition Verification to TCEQ**

- a) The contract will include specific provisions for the disposition of the equipment and engine(s) being replaced and for submitting disposition verification to TCEQ.
- b) The applicant must provide a certification of the disposition of the equipment and engine being replaced on forms provided by TCEQ.
- c) To provide verification of disposition for titled equipment, grant recipients must also submit a copy of a Texas Nonrepairable Vehicle Title issued by the Texas Department of Motor Vehicles (TxDMV). To obtain a Texas Nonrepairable Vehicle Title, a grant recipient must complete and submit Form VTR-441 to the TxDMV.

#### **4.8 Annual Usage and Reporting**

The grantee must agree to use and monitor the use of the grant-funded equipment for a five-year activity life. (On-road vehicle replacement projects may differ.)

- 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 the grant-funded equipment (refueling infrastructure must be owned and not leased);
  - 2) register (unless the vocational type of the grant-funded equipment is exempt from registration requirements) and operate the grant-funded equipment in Texas, with at least 55% of the equipment's total annual miles or hours occurring in the eligible areas;
  - 3) maintain usage, location records, documents, amendments, and other reasonable information pertinent to the grant-funded equipment, and maintain these records for 4 years after the termination of the contract;
  - 4) maintain the grant-funded equipment and make any necessary repairs to keep it 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 written approval and consent to assignment by TCEQ in accordance with the contract terms; and

- 7) provide written notice to 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 equipment.
- c) During the activity life, grantees will submit annual usage reports provided by TCEQ. 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 4.8, or other contract terms regarding disposition and ownership, 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.
- e) If requested by TCEQ, grant recipients must place a TCEQ-provided identifying mark or label on the grant-funded equipment to aid both TCEQ and the grant recipient in the tracking and identification of that equipment.

#### ***4.9 Performance Evaluation***

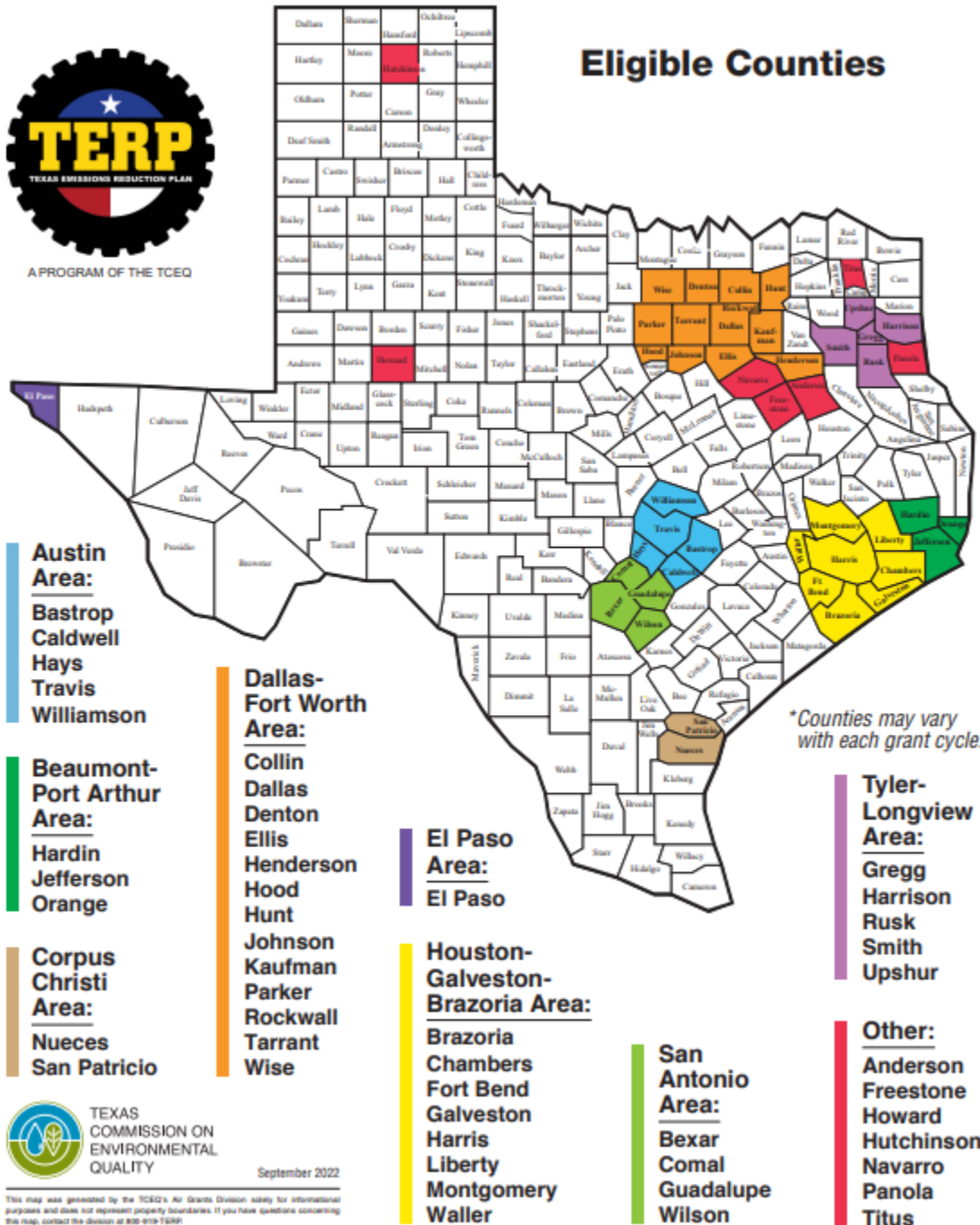
TCEQ will notify the grant recipient in writing upon the end of performance of the activity life or more frequently, as deemed necessary. The grantee must maintain the grant-funded equipment until the grantee has received notification from TCEQ that the requirements of the contract have been met. The grantee may be evaluated or audited by TCEQ on its compliance with contract terms, the timeliness of reporting, meeting usage commitments, communication, and providing complete and accurate disposition documentation and requests for reimbursement.

#### **5.0 Consideration of Application in Future Grant Rounds**

TCEQ may, at its discretion, retain applications not selected for funding under this notice for consideration under a future grant round. Applicants will be notified by 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: Map of Nonattainment and Affected Counties

## Diesel Emissions Reduction Incentive (DERI) Program



## **Appendix B: Waiver Requests**

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 or equipment; and
- 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 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.