

# Appendix 11

## Demonstration of New Technology

This appendix contains the eligibility criteria for projects demonstrating new technology. A project of this type must be applied for separately from other eligible activities.

### Eligible Activities and Costs

In general, the emissions reductions attributable to the technologies demonstrated under this program should already be proven—for example, through certification or verification by the EPA or the California Air Resources Board. This program can then help encourage the implementation and use of the technology in the areas of the state where the emissions reductions are needed.

However, the TCEQ may also consider technologies that are still in the testing or verification stage of development. Funding decisions may be based on the likelihood that the emissions reductions will be proven and accepted.

The grant recipient may be eligible for reimbursement of all expenses attributable to the project. No cost-effectiveness requirements will be applied to a demonstration project, but the applicant will need to show that the technology is viable and can be expected to achieve significant reductions in NO<sub>x</sub> emissions. Administrative costs, in-house labor costs, and travel costs are not eligible expenses.

In accordance with Texas Health and Safety Code 386.104(j) and TERP program rules, 30 TAC 114.622(g), the executive director has the authority to waive certain eligibility requirements, based on a finding of good cause. The executive director may identify eligibility criteria for which a waiver may be considered, based on a finding of good cause and subject to the statutory and regulatory requirements. Waiver options will be explained in the grant-application materials.

The granting of a waiver to the eligibility requirements is at the discretion of the executive director or the executive director's designee. In determining good cause and deciding whether to grant a waiver, the executive director shall ensure that the emissions reductions that will be attributable to the project will still be valid and, where applicable, meet the conditions for assignment for credit to the State Implementation Plan.

## Project Criteria

In addition to the eligibility criteria previously presented, the following list applies to projects involving demonstration of new-technology activities. The TCEQ may impose additional criteria, and may more narrowly define the criteria established in this guide, during a particular funding round or by geographic area, as needed to best achieve the objectives of the TERP.

- The TCEQ will select demonstration projects case by case, based on a full review of the project proposal and a determination that the project can lead to broader use of the technology.
- In general, a demonstration project should involve a limited number of vehicles or equipment (for example, one to five), so that the project can be considered a demonstration and not implementation of the technology.
- The demonstration project must take place within an eligible county. However, testing and other work required for completing the project may take place outside the eligible counties, subject to approval by the TCEQ.
- Unless otherwise authorized by the TCEQ, the technology must be demonstrated on vehicles or equipment actually being used for intended purposes. Again, projects under this category normally should be for demonstrated technologies in real-world applications.
- Demonstration projects will normally last one year, but the TCEQ will consider a different period. However, due to contracting and financial management requirements, projects may not extend beyond 18 months after the end of the state fiscal year of the grant award. The state fiscal year extends from September 1 through August 31.
- The grant recipient must monitor the use and effectiveness of the technology, including associated costs. At the end of the project, the recipient must prepare a project report with information and conclusions regarding the effectiveness and efficacy of using the technology in the application demonstrated. The TCEQ must accept the project report before it will consider the project completed.
- An activity is not eligible if it is required by any state or federal law, rule, regulation, memorandum of agreement, or other legally binding document. However, this restriction does not apply to an otherwise qualified activity—regardless of the State Implementation Plan’s assumption that the change in equipment, vehicles, or operations will occur—if, on the date the grant is awarded, the change is not yet required by any state or federal law, rule, regulation, memorandum of agreement, or other legally binding document. This restriction also does not apply to a purchase of vehicles or equipment that is required only by local law or regulation, or by controlling-board policy of a public or private entity. Projects used to demonstrate a technology that may be used to comply with an emissions-reduction requirement may be funded, as long as the reductions directly attributable to the project are not used to comply with those requirements.

- An activity involving a new emissions-reduction measure 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:
  - the activity includes the transfer of the reductions that would otherwise be marketable credits to the State Implementation Plan or the owner or operator as provided under Texas Health and Safety Code 386.056, and
  - the reductions are permanently retired.
- Administrative costs and other internal costs of the grant recipient—including but not limited to personnel expenses, internal salaries, indirect costs, and travel—are not eligible. This restriction also applies when the grant recipient acts as a transportation provider for delivery of the grant-funded vehicle or equipment before or after accepting it.
- Consultant fees for the preparation of a grant application, either directly or as an addition to the cost basis of the grant-funded vehicle, equipment, or engine, are not eligible.
- Fees for a third-party consultant hired by the grant recipient to manage and administer the grant-funded activities, including coordination of the work and submission of reports and paperwork to the TCEQ for the grant recipient, are not eligible. This restriction is not intended to limit the ability of the vehicle or equipment supplier or installer to include reasonable and necessary costs for managing the work to be performed in the price of the vehicle, equipment, or installation. The costs for professional services, including engineering and technical work, required for completion of the activity may be included, subject to the restrictions pertaining to that type of project. Per the Uniform Grant Management Standards, the “cost plus a percentage of cost” method of contracting for professional services must not be used.
- The TCEQ may impose additional criteria for certain projects and funding periods, consistent with these guidelines.

