

Chapter 5

Rebate Grants Program

The Rebate Grants Program awards grants to fund the incremental costs of projects in the eligible counties.

Activities that may be eligible under this program are outlined below. Vehicles and equipment used primarily for competition or recreation are not eligible for funding under any of the project categories. The TCEQ may more narrowly define or limit the types of eligible activities for a particular funding period. The TCEQ may also establish more than one rebate-grants program to include various emission-source categories and types of projects, such as replacements, repowers, and retrofits.

Eligible Applicants

Applicants are potentially eligible for incentive funding if they operate or plan to operate on-road heavy-duty vehicles, non-road equipment, marine vessels, locomotives, or stationary engines primarily in one or more of the eligible counties, or if they otherwise contribute to NO_x emissions in the eligible counties.

For particular funding periods, the TCEQ may limit eligibility to certain types of applicants. The TCEQ may also allow a person other than the owner or operator of the vehicle or equipment to apply for and receive a grant, as long as the grant-funded project supports activities that meet these guidelines and will help to achieve the goals of the TERP.

Eligible Activities

Activities eligible for rebate grants are intended to reduce NO_x emissions in the designated eligible counties from on-road heavy-duty vehicles, non-road equipment, marine vessels, locomotives, or stationary engines.

Most of the engines eligible under this program will be powered by diesel-fueled compression-ignition engines. However, engines powered by other fuels may also be eligible, subject to decisions by the TCEQ for particular funding periods and geographic areas.

All project categories and types of activities, such as replacements, repowers, and retrofits, listed under the Emissions Reduction Incentive Grants program in Chapter 4 of these guidelines may be eligible for funding in the Rebate Grants program. The

TCEQ may limit the types of activities that may be funded under a rebate grant for particular funding periods.

The TCEQ may establish default usage rates to determine the rebate grant amounts. The TCEQ may also establish a minimum average annual usage for vehicles and equipment being replaced under a rebate grant.

Grant-Program Procedures

This section contains the general procedures that will be used for applying for, awarding, and administering grants under this program. The TCEQ may adjust these procedures and develop more detailed procedures, as needed, to ensure the effectiveness of the program.

Project Solicitation

The agency will solicit project grants through a periodic or open-ended Notice of Rebate Grants and through other processes. Copies of the NRG and the necessary application forms will be made available at the TERP website <www.terpgrants.org> and directly from the TCEQ.

The TCEQ may establish a cost-effectiveness threshold for particular funding periods and geographic areas.

Application Review and Selection

Grant applications will be reviewed and evaluated according to criteria established in these guidelines and the NRGs. In general, the selection priorities may include allocation of the funding among a subset of the eligible counties, as well as allocation among the various types of project categories.

The agency will review applications for rebate grants in the order received and will fund projects as money becomes available.

Application-Verification Visits

Upon receipt of a grant application, the TCEQ may check any vehicles and equipment for condition, engine identification, and vehicle identification number.

Awarding of Grants and Contracting

Projects selected for funding will be awarded a grant through the development and execution of a grant contract that is signed by the recipient and by an official of the TCEQ. Grant contracts may contain additional and more specific requirements beyond those contained in these guidelines. Grant recipients should review the contract's language carefully before accepting and signing it.

Because the funding for this program comes from revenue that is received throughout the year, all grant awards and contracts will be contingent upon the receipt of sufficient revenue to cover the grant.

Reimbursement

Grant payments will be reimbursements, meaning that the agency will remit payment **after** the eligible expense has been incurred by the recipient. Recipients will also have the option to assign their grant payments directly to a dealer or service provider. The TCEQ will supply reimbursement request and reporting forms for use by the recipient.

In some cases, particularly for large projects and projects of long duration, the TCEQ may also authorize advance payments, based on a percentage of the expected final costs. The grant contract and the reimbursement forms will include requirements for documentation of expenses.

Upon completion of all grant-funded purchases, the grant recipient will need to submit a final request for reimbursement of all remaining unreimbursed expenses. The final request must include a completed and signed release of claims.

The grant recipient must also agree to place a label or sticker on the grant-funded vehicles and equipment, as may be supplied by the TCEQ.

Verification of Vehicle, Equipment, and Engine Disposition

The applicant must agree to decommission any old vehicle, equipment, or engine replaced under this program no later than 90 days after receiving reimbursement by the TCEQ.

Unless the executive director agrees to an alternative method, the decommissioning must be carried out by complete crushing or other complete destruction of the vehicle, equipment, or engine, or by making a hole in the engine block on both sides large enough to prevent repairs (usually at least 3 inches) and, for a replacement project, permanently destroying the frame by cutting the frame rails or main structural components of the vehicle or equipment.

For a locomotive replacement project the executive director may allow permanent removal from Texas, in lieu of destruction, in specific grants where the applicant has

furnished adequate assurances that the old locomotive will not be returned to Texas. This option will not normally be available for other types of projects, although exceptions may be established for specific grant rounds to meet the goals of the program.

The applicant must certify the disposition of the vehicle, equipment, or engine using forms supplied by the TCEQ. The executive director may require a certified or duplicate Texas Nonrepairable Vehicle Title as evidence that an on-road vehicle has been rendered permanently inoperable. Grantees may be required to return grant funds if they fail to meet the disposition requirements, including if the vehicle, equipment, or engine is later returned to operation.

Monitoring and Reporting

The grant recipient must agree to monitor and track the use of grant-funded vehicles, equipment, infrastructure, and qualifying fuel for the activity life designated in the grant contract. The activity life is used to determine the total reductions in NO_x emissions and cost-effectiveness of the activities and the project.

Monitoring reports must be submitted to the TCEQ twice a year, unless the TCEQ authorizes an alternative reporting schedule. The reports will document the usage over the required reporting period. The TCEQ may, at its sole discretion, authorize an annual or longer reporting schedule, including suspending the reporting requirements, if a grant recipient is meeting the reporting requirements and is otherwise complying with all program requirements. The TCEQ may require applicants to use global-positioning-system units to monitor grant-funded equipment or allow voluntary use of a GPS unit in lieu of filing the required reports. All applicants monitoring via GPS will be required to use a vendor the TCEQ selects.

If an alternative disposition plan is approved for a locomotive project, the grant recipient must agree to monitor and track the location of the old locomotive to ensure that it is not returned to Texas. The grant recipient must also agree to supply the monitoring information to the TCEQ upon request. The grant recipient must notify the TCEQ immediately if the use of the locomotive, including where it is used, deviates from any approved alternative disposition plan.

Emissions-Reduction Commitment

Over the activity life of each grant-funded activity, the grant recipient commits the generated emissions reductions to the State Implementation Plan. The recipient is responsible for performing the activities, as defined in the contract, necessary to achieve the calculated reductions in NO_x emissions within the eligible areas. Except in circumstances where the TCEQ determines that the intent of the program has been met, recipients will be required to return all or a pro rata share of the grant funds to the TCEQ if the emissions reductions over the activity life are not achieved.

The emissions reduction calculations are based on a *usage amount* (miles, hours, or fuel use) over the activity life. In order to verify that the required emissions reductions are actually achieved, the TCEQ may require a usage commitment by the grant recipient or may establish default usage amounts either based on the category the project belongs to or for individual types of vehicles or equipment. If a specific usage commitment is required, grant recipients must agree to operate the grant-funded vehicles or equipment in the eligible counties for the usage amounts committed to in the contract. If default usage amounts are established by the TCEQ, a grant recipient may not be required to commit to a specific usage amount over the activity life but will still need to meet commitments on the percentage of annual use in the eligible counties.

In determining whether the intent of the program has been met, the TCEQ may consider the good-faith efforts of the grant recipient to meet the usage commitments originally projected. The TCEQ may consider circumstances that impeded the recipient's use of the grant-funded vehicle or equipment, such as natural disasters and other factors not under the control of the grant recipient.

The TCEQ may include an annual commitment to reduce NO_x emissions in the contract, where appropriate. At its discretion, the TCEQ may require the return of all or a pro rata share of grant funds if the annual emissions reductions are not being achieved. The decision to require the return of grant funds may be based on—but need not be limited to—an assessment that the annual performance is so low that it is unlikely that the grant recipient will be able to achieve the emissions reductions committed to over the activity life. The TCEQ may also use annual emissions-reduction commitments to ensure that a grant recipient does not overachieve emissions reductions during the first years of the activity life in order to underachieve the emissions reductions in later years.

The TCEQ may work with the grant recipient to implement other options for ensuring that the emissions-reduction commitments will be achieved before it requires a return of the grant funds. If the TCEQ requires the return of a pro rata share of the grant funds for underachievement of the annual emissions-reduction commitment, the TCEQ may revise the commitment over the remaining activity life to a lower amount, based on a new projection of the emissions reductions.

Except where no percentage-of-use commitment is required for that type of project, grant recipients must also agree to operate the grant-funded vehicle or equipment in the eligible counties for a minimum percentage of the annual or total usage (or both). Except when the TCEQ determines that the intent of the program has been met, the recipient will be required to return all or a pro rata share of the grant funds to the TCEQ if the percentage-of-use commitment is not met. The TCEQ may work with the grantee to implement other options for ensuring that a percentage-of-use commitment will be met before it requires the return of grant funds.

