

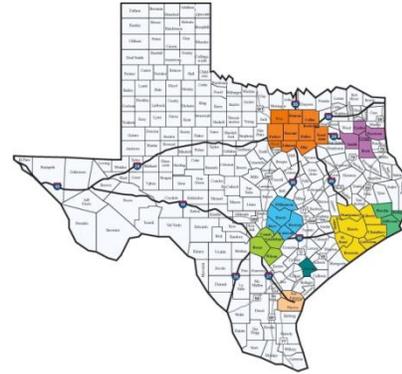


ALTERNATIVE FUELS INITIATIVE

INCENTIVE PROGRAM FOR BUYERS OF NEW EPA-COMPLIANT ALTERNATIVE FUEL EQUIPMENT

WHAT IS THIS INCENTIVE PROGRAM?

The program is part of the Texas Emissions Reduction Plan (TERP), a State of Texas program that offers incentives to buyers who replace older internal-combustion equipment with alternative fueled equipment that meets or exceeds federal emissions standards. The amount of each incentive grant varies and depends on the calculated reduction in emissions. Replacement equipment grants have averaged over \$9,000 per application.



WHAT IS THE PURPOSE OF THE PROGRAM?

The purpose is to reduce air pollution, which is a major problem in Texas and nationwide. The State of Texas is working closely with industry to reduce NOx emissions in an effort to meet the air-quality standards established by the EPA for major metropolitan areas. By helping operators replace older equipment with new, cleaner alternative-fueled equipment, the program reduces harmful emissions and improves fuel economy. The result is cost savings and improved indoor and outdoor air quality that benefits employees and the local community.

WHAT COUNTIES IN TEXAS MUST I OPERATE IN TO QUALIFY FOR THE GRANT?

If you operate the older internal-combustion equipment in any of the following 39 counties, you are eligible to apply for this incentive grant: Bastrop, Bexar, Brazoria, Caldwell, Chambers, Collin, Comal, Dallas, Denton, Ellis, Ft. Bend, Galveston, Gregg, Guadalupe, Harris, Hardin, Harrison, Hays, Hood, Jefferson, Johnson, Kaufman, Liberty, Montgomery, Nueces, Orange, Parker, Rockwall, Rusk, San Patricio, Smith, Tarrant, Travis, Upshur, Victoria, Waller, Williamson, Wilson, and Wise.

FREQUENTLY ASKED QUESTIONS

Note: The Alternative Fuels Initiative is funded by the Texas Emissions Reduction Plan (TERP). As such, all projects are subject to the same restrictions as all other TERP-funded programs. See Texas Health and Safety Code, Chapter 386, Subchapter C (TERP Statute); 30 Texas Administrative Code, Chapter 114, Subchapter K (TERP Rules); and http://www.tceq.texas.gov/assets/public/comm_exec/pubs/rg/rg388/rg-388.pdf (TERP Guidelines) for more detail.

Q: Does this program replace the Texas Commission on Environmental Quality’s TERP program for alternative fueled equipment?

A: No. You may apply for a grant from TCEQ or you may submit an application to the Railroad Commission under the Alternative Fuels Initiative Grant Program. However, you are NOT eligible for grants from both programs for the same equipment.

Q: What equipment is eligible?

A: Older diesel, gasoline, and propane equipment may be replaced with newer propane- or natural-gas-fueled equipment depending on horsepower, Gross Vehicle Weight Rating (GVWR), use, and age. Please contact your dealer or the Railroad Commission for questions about your specific equipment.



RAILROAD COMMISSION OF TEXAS

(800) 64-CLEAR • <http://www.altenergy.rrc.state.tx.us>

Revised 04/09/13



FREQUENTLY ASKED QUESTIONS

Q: Do I have to own the old equipment?

A: Yes. The old equipment must have been owned by you for the past two years, operated in Texas during that time, be in operating condition, and would continue to be used for the activity life of the new equipment.

Q: Is leasing the new equipment eligible under the program?

A: Yes. Leasing new alternative-fueled equipment to replace older equipment that the applicant has owned for the past two years is an eligible project. Only "dollar option" leases are permitted under the program rules. The grant must be used to pay down the lease, and the terms of the lease contract must reflect this. The lease on the new equipment must extend to the end of the activity life of the equipment under the grant.

Q: If my distributor offers a "zero down payment" plan, can I still receive the grant?

A: The grant only covers costs that the owner has actually expended to date.

Q: Can I apply the grant toward the down payment?

A: Yes. For example, if you purchased an \$18,000 piece of equipment, you could apply the grant amount as reimbursement for the down payment. If you lease the equipment, your finance company must agree if you are using the grant as a front-end lease buy-down. The grant may not exceed 80 percent of the new equipment's invoice value.

Q: Must the new equipment be insured?

A: Yes. You must maintain sufficient property insurance to cover repair or replacement of equipment funded under this grant. Insurance proceeds must be used to obtain replacement equipment with equivalent or lower emissions than the one funded.

Q: Can I assign the grant to my equipment distributor?

A: Yes, as long as the distributor has a participation agreement on file with the Railroad Commission of Texas and holds a current RRC license.

Q: What if I don't have good maintenance records to establish the historical average annual hours/miles of my old equipment?

A: Under certain circumstances, the Railroad Commission will accept a digital photograph of the working hour meter/odometer and proof of age of the old equipment in order to determine the average annual usage.

Q: May I trade in two old trucks for one new one?

A: No. The program allows only a one-for-one exchange.

Q: How long does the new equipment have to operate in an eligible county or counties?

A: The new equipment must operate in eligible counties for the number of years you commit to on the grant application form, which is a binding contract when the grant incentive is issued. The current contractual term for alternative-fueled equipment is between five and seven years depending on the equipment.

Q: Must I purchase my alternative-fueled equipment from a participating distributor?

A: Yes. The company from which you purchase the equipment must have a participation agreement on file with the Railroad Commission of Texas and hold a current RRC license.

Q: What happens to the emission reductions from the new equipment?

A: The emissions reductions are transferred to the Texas Commission on Environmental Quality for the state implementation plan, and are permanently retired.

Q: What happens to the old equipment?

A: The old equipment must be scrapped, and proof furnished to the Railroad Commission before a grant is issued.

Q: What is the process to apply for funding?

A: Applying is a two-step process.

Step 1. Your alternative fueled equipment distributor must mail, fax or email an Alternative Fuel Initiative Estimate Request form along with required supporting documents (horsepower, GVWR, engine model, fuel type, age, maintenance records, etc.) to the Railroad Commission (RRC) in order to receive a preliminary estimate of the grant amount. The RRC will then provide both the distributor and the applicant with an estimate of the grant amount. This estimate will be valid for 90 days. If the distributor and applicant decide to proceed with the sale, the distributor may request an additional period of time to allow for the order and delivery of the new equipment.

Step 2. Once the new equipment has been delivered and the old equipment has been scrapped, the distributor and applicant will send a fully executed original Alternative Fuels Initiative Application with the required supporting documentation to the RRC for review and processing. The required supporting documents include the following:

- Maintenance records for the old equipment covering the last 24 months of operation. If no maintenance records are available, the applicant must provide documentation of ownership of the old equipment for the previous two years
- Copy of the sales invoice, purchasing or finance agreement showing payment by applicant of an amount equal to or greater than the grant amount
- Manufacturer's documentation or printed brochure of specifications of new and old equipment
- Documentation of model year of old equipment
- Copy of scrap receipt for the old equipment with the chassis serial number/VIN number noted
- Photos of the old hour meter/odometer
- Photos of the disabled engine and chassis
- A signed maintenance agreement with an RRC-licensed shop
- Proof of property insurance (ACORD form or other document from applicant's insurer); the insurance must be in effect at the time of grant funding.

The RRC may require additional documentation from the applicant and/or distributor at the Commission's sole discretion, to ensure proper use of grant funds.