

TEXAS ENVIRONMENTAL RESEARCH CONSORTIUM

MINUTES OF THE BOARD OF DIRECTORS' MEETING

June 11, 2009

The regular meeting of the Board of Directors (Directors) of the Texas Environmental Research Consortium (TERC) was held on Thursday, June 11, 2009 in Houston, Texas at the County Judge's office. Chairman Frels convened the meeting at 1:06 p.m. The Agenda for the meeting is provided herein as Attachment I. Board members attending this meeting in addition to Chairman Frels were The Honorable Ed Emmett, Mr. Ronnie Schultz, Mr. Ravi Singhania, Dr. Jonathan Ward, Mr. Karl Pepple representative and proxy for The Honorable Bill White, Mr. Neil Strassman representative and proxy for The Honorable B. Glen Whitley. Additional persons in attendance were Mr. George Beatty, Ms. Ivy Guice, Dr. Jim Lester, Dr. Jay Olaguer, Dr. Yiqun Huang, Mr. Alex Cuclis, Mr. Alex Wagner, Ms. Danielle Mirabal, and Mr. David Brymer.

The Board took the following actions at the meeting:

- Considered and approved the minutes of March 12, 2009, as corrected;
- Received and discussed the Chairman and Executive Director reports. Mr. Beatty presented the Legislative update. He reported the Texas Legislature reviewed the Conference Committee report which was signed on May 30, 2009 as HB1796. Senator Averitt attached amendments to this bill which went through the house, but Mr. Beatty has not heard if the Governor has signed it yet. There were several changes that apply to TERC, regarding NTRD and Air Quality. The bill states the TCEQ Commission is directed to establish and implement an NTRD Program and "may" contract with a well-qualified non-profit organization or with a university. The portion that addresses Air Quality states the Commission has to establish an air quality program and it "shall" contract with a well-qualified non-profit or university.

There were some changes to the NTRD program which TERC had advocated and are helpful. The first focuses on retrofit and add-on technologies; they added a provision that says "without a significant increase in fuel consumption using advanced technologies and field validations." The new applicants must show signs of commercialization as soon as practical. Previously, commercialization was to take place within five years. Stationary sources are now eligible for NTRD funding. NTRD's focus must be in the Texas non-attainment areas.

The Air Quality program didn't change much from previous legislation; however, all reference to the Houston-Galveston, Dallas-Fort Worth areas were taken out, thereby making it state-wide. TCEQ will be challenged to include greenhouse gas reporting. Mr. David Brymer stated the preliminary funding for air quality research is \$2.7M in 2010 and \$2.07M in 2011.

Mr. Frels handed out the Greater Houston Partnership's (GHP) 2009 Legislative Session Summary which lists the items they were involved with. He stated Michael Vasquez

from the Texas Clean Air Working Group will be updating his report which is an analysis of all of the environmental bills. Mr. Frels will forward a copy to the directors once he receives it. Mr. Frels and Judge Whitley are co-chairs of the Texas Clean Air Working Group, with Mr. Frels representing Houston and Judge Whitley representing North Texas. At each meeting Mr. Frels and George Beatty give a report on TERC and its activities. From the other member organizations' reports presented at this meeting, there appears to be air projects and research that need to be done, particularly in East Texas associated with drilling activities. Mr. Beatty is in contact with the East Texas Council of Governments to see if TERC can be of some help.

April 14, 2009 TERC had its quarterly meeting with TCEQ and HARC. One important discussion held at the meeting concerned the state funds TERC has received as advances and the contracts' wording which stipulates these funds are to earn interest. Given the current financial climate, TCEQ has given TERC permission to handle the funds as they see fit. Recently, the federal deposit insurance commission has increased their cap on insured funds from Two Hundred Fifty Thousand dollars (\$250,000) to whatever amount one has on deposit in a non-interest bearing checking account until December 31, 2009. To be fiscally prudent, it was decided that we leave \$250,000 in an interest bearing account, satisfying the portion of the contract that says we need to earn interest. All additional funds, approximately \$10M, have been moved to TERC's non-interest bearing checking account.

- The Board ratified and approved the transfer of TERC funds from the interest bearing account to the non-interest checking account. (Item XV on the agenda.)

Mr. Beatty stated that TERC needs to develop a communication strategy for non-scientists to let the general public know what TERC is doing. Mr. Frels and he will work on this and get back to the board.

- Considered and approved Resolution 2.75, which authorizes its Executive Director and the Houston Advanced Research Center to timely submit proposals to the TCEQ to continue its administration of the AQR and the NTRD Programs;
- Considered and approved permission for submittal of a proposal to EPA by Yiquan Huang, noting no conflict of interest;
- Received and discussed the NTRD status report;
- Considered and approved Resolution 2.76, hereby providing approval for TERC funding of up to \$1,460,259 for the NTRD projects outlined below at amounts not to exceed those listed, conditional upon final approval by TCEQ:

Haynes Corporation
\$710,259

“Marine and Inland Port NO_x Reduction through Optimization, Verification and Certification of Three Locomotive Types”

Tinnerman/Shadowood

\$750,000

“TEC 2010 NOx Compliance without the Use of Urea”

- Considered and approved Resolution 2.77, hereby providing approval for TERC funding of up to \$3,032,372 for the NTRD projects outlined below at amounts not to exceed those listed, conditional upon final approval by TCEQ:

Donaldson Company, Inc.

\$750,000

“Non-Road Retrofit PM/SCR System Development and Verification”

Engine Control Systems

\$462,332

“Integration, Demonstration and Initial Verification of a Combined Retrofit SCR-DPF System for HD Highway Diesel Vehicles”

John Matthey

\$200,000

“SCRT & SCCRT”

Nett Technologies

\$471,631

“Demonstration and Verification of BlueMAX PLUS SCR Emission Control System for Off-Road Applications”

MIRATECH

\$400,000

“Verification Testing of a 50% NOx Emissions Reduction Kit for Marine EMD Diesel Engines”

ISE

\$748,409

“Hybrid Drive Development, Characterization and Verification For Shuttle Bus and Heavy-duty Vehicle Applications”

- Considered and approved Resolution 2.78, and hereby appoints Donald Lewis, Fleet Manager and coordinator of the Alternative Fuels Group for the Texas Department of Transportation (TXDOT), to TERC’s Environmental Technology Advisory Council (ETAC), effective immediately;
- Received and discussed the Air Quality budget report;
- Considered and approved Resolution 2.79, and hereby approves funding for the revised project concept submitted by the North Central Texas Council of Governments (NCTCOG) by TERC;
- Considered and discussed possible appointments to the TERC Board of Directors to fill future vacancies, and consider expanding the board to include other non-attainment regions, i.e., Austin, San Antonio, Longview, Beaumont/Port Arthur, and Corpus Christi.
- Considered and discussed policy issues that may impact TERC’s future work;

- Considered and discussed the CIAP funding timeline;
- Received and discussed TERC's financial report;

The meeting was adjourned at 3:44 p.m.