



PROPANE EQUIPMENT GRANT INITIATIVE

INCENTIVE PROGRAM FOR BUYERS OF NEW EPA-COMPLIANT MEDIUM-DUTY VEHICLES

WHAT IS THIS INCENTIVE PROGRAM?

This is a part of the Texas Emissions Reduction Plan (TERP) that offers incentives to buyers who wish to replace older diesel schoolbuses or delivery vehicles with new propane vehicles that meet or exceed the Environmental Protection Agency’s current emissions standards. The amount of the incentive grant varies depending on the calculated reduction in emissions.

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

If you operate vehicles in any of the following 34 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, Jefferson, Johnson, Kaufman, Liberty, Montgomery, Orange, Parker, Rockwall, Rusk, Smith, Tarrant, Travis, Upshur, Waller, Williamson, and Wilson.

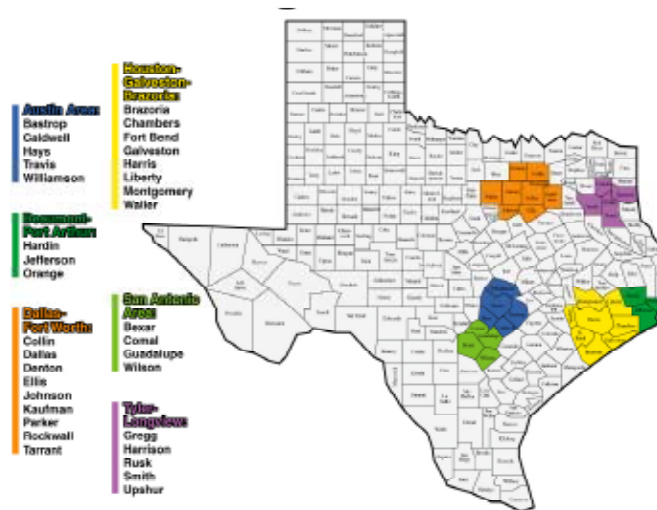
WHERE CAN I LEARN MORE ABOUT THIS PROGRAM?

More information is available on the Railroad Commission of Texas web site. Go to www.propane.tx.gov or call (800) 64-CLEAR.

WHAT IS THE PURPOSE OF THE PROGRAM?

In Texas and across the nation, air pollution is a major problem. 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 offering financial incentives to equipment owners to replace older equipment, this program provides a means for owners to cost-effectively upgrade their equipment with new fuel-efficient EPA emission-compliant vehicles which will result in fuel savings and improved indoor and outdoor air quality that benefits employees as well as the local community.

ELIGIBLE COUNTIES



RAILROAD COMMISSION OF TEXAS

Web site: www.propane.tx.gov • Phone: (800) 64-CLEAR



FREQUENTLY ASKED QUESTIONS

Q: Does this program replace the Texas Commission on Environmental Quality's TERP program for medium-duty vehicles?

A: You may apply for a grant from TCEQ or you may submit an application to the Railroad Commission under the Grant Program. However, you are NOT eligible for grants from both programs for the same equipment.

Q: What equipment is eligible?

A: Older diesel medium duty vehicles may be replaced by new EPA-certified propane vehicles that meet or exceed EPA's current emissions standards.

Q: Do I have to own the old vehicle?

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

Q: Is leasing a new vehicle an eligible project?

A: Leasing a new vehicle to replace an older vehicle that the applicant has leased or owned for the past two years is an eligible project. The lease on the new equipment must be for a minimum of seven years.

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. For example, if you make zero down payment and have 84 months to pay, you will not receive your grant until your payments equal the grant amount.

Q: Must the new vehicles be insured?

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

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

A: Yes. For example, if you purchased an \$85,000 school bus, 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 buydown. The grant may not exceed 80% of the new vehicle invoice.

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

A: Yes, as long as the dealer has a participation agreement on file with the Railroad Commission of Texas.

Q: What if I don't have good maintenance records to establish the historical average annual mileage of my old vehicle?

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

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

A: At present the program allows only a one-for-one exchange.

Q: How long does the new vehicle have to operate in the eligible counties?

A: The grant term is seven years. The signed Grant Application form is a binding contract when the grant is issued.

Q: Must I purchase my vehicles from a participating vehicle dealer?

A: Yes. The company from which you purchase the vehicles must have a participation agreement on file with the Railroad Commission of Texas.

Sample Calculation – School Bus

- 1996 diesel school bus
 - Averaging 12,000 miles per year
 - Replaced by ultralow NOx propane bus
 - 7 Year Life
- = \$5,970 Grant**

Sample Calculation – Medium Duty Truck

- 1996 diesel bobtail
 - Averaging 25,000 miles per year
 - Replaced by 8.1 liter propane-fueled medium-duty truck
 - 7+ year life
- = \$9,560 Grant**



FREQUENTLY ASKED QUESTIONS

Q: What happens to the emission reduction credits from the new vehicles?

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

Q: What happens to the old vehicles?

A: Old equipment must be scrapped. Vehicles may not be removed from Texas or exported out of the country as an alternative disposition measure.

Q: What documentation do I need to submit with the application form?

A: Generally the application is a two-step process.

1. Vehicle dealers may fax in an application form with as many fields as possible filled out. Based on this information, the Railroad Commission will calculate an estimated grant for you.
2. After the new vehicle has been delivered and paid

for and the old one has been scrapped, the following items must be submitted before the grant can be processed:

- Maintenance records for the past two years indicating ownership and mileage
- Specification sheets for the old and new vehicles
- Manufacturer’s statement of origin or other documentation of engine model
- Original signed copy of the Application Form
- Copy of purchase or financing agreement and/or invoice showing the price paid for the new vehicle
- Copy of the scrap receipt with the chassis serial number noted
- Photo of destroyed engine and disabled chassis
- Maintenance contract for new equipment and proof of property Insurance from your Insurance carrier (ACCORD form).

| Diesel to Propane School Bus Replacement Example | | Diesel | Propane |
|--|-----|----------------|--------------|
| Model Year 1986-87 | | Old School Bus | Replacement |
| Enter Miles Driven Per Year | | 12,000 | 12,000 |
| TxLED Correction Factor | | 0.943 | 1 |
| Baseline NOx (g/bhp-hr) | x | 10.7 | 0.4 |
| TX LED Adjusted NOx (g/bhp-hr) | = | 10.0901 | 0.4 |
| Conversion Factor (bhp-hr/mi) | x | 1.62 | 2.99 |
| Grams/Ton | div | 907200 | 907200 |
| TX LED Adjusted NOx (tons/mi) | = | 0.0000180180 | 0.0000013183 |
| Percentage of time operated in eligible counties | x | 100% | 100% |
| Annual miles per year | x | 12000 | 12000 |
| Annual NOx emissions (tons) | = | 0.2162 | 0.0158 |
| Net annual NOx emissions reductions (tons) | | 0.2003963228 | |
| Percentage reduction | | 93% | |
| % annual NOx reduction must be 25% or greater to proceed | | | |
| Net annual NOx emissions reductions (tons) | | 0.2003963228 | |
| Total Years | x | 7 | |
| Grant Life NOx emissions reductions (tons) | x | 1.402774259 | |
| Cost effectiveness of \$5,000/ton NOx | x | \$5,000 | |
| Grant amount requested | = | \$7,013.87 | |