1 AN ACT 2 relating to air contaminant emissions reductions, including the 3 continuation and provisions of the Texas emissions reduction plan and the use of money currently dedicated to the Texas emissions 4 5 reduction plan fund. BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS: 6 SECTION 1. Section 382.0172(c), Health and Safety Code, is 7 amended to read as follows: 8 9 (c) The commission may authorize or allow substitution of emissions reductions under Subsection (b) only if: 10 11 (1) reductions in emissions of one air contaminant for 12 which the area has been designated as nonattainment are substituted for reductions in emissions of another air contaminant for which 13 14 the area has been designated as nonattainment; or [and] (2) the commission finds that the substitution will 15 clearly result in greater health benefits for the community as a 16 whole than would reductions in emissions at the original facility. 17 18 SECTION 2. Subchapter B, Chapter 382, Health and Safety Code, is amended by adding Section 382.0173 to read as follows: 19 Sec. 382.0173. ADOPTION OF RULES REGARDING CERTAIN STATE 20 21 IMPLEMENTATION PLAN REQUIREMENTS AND STANDARDS OF PERFORMANCE FOR CERTAIN SOURCES. (a) The commission shall adopt rules to comply 22 23 with Sections 110(a)(2)(D) and 111(d) of the federal Clean Air Act (42 U.S.C. Sections 7410 and 7411). In adopting the rules, at a 24

1	minimum the commission shall adopt and incorporate by reference 40
2	C.F.R. Subparts AA through II and Subparts AAA through III of Part
3	96 and 40 C.F.R. Subpart HHHH of Part 60. The commission shall
4	adopt a state implementation plan in accordance with the rules and
5	submit the plan to the United States Environmental Protection
6	Agency for approval according to the schedules adopted by that
7	agency.
8	(b) The commission may require emissions reductions in
9	conjunction with implementation of the rules adopted under
10	Subsection (a) only for electric generating units. The commission
11	shall make permanent allocations that are reflective of the
12	allocation requirements of 40 C.F.R. Subparts AA through HH and
13	Subparts AAA through HHH of Part 96 and 40 C.F.R. Subpart HHHH of
14	Part 60, as applicable, at no cost to units as defined in 40 C.F.R.
15	Section 51.123 and 60.4102 using the United States Environmental
16	Protection Agency's allocation method as specified by Section
17	60.4142(a)(1)(i), as issued by that agency on May 12, 2005, or 40
18	C.F.R. Section 96.142(a)(1)(i), as issued by that agency on May 18,
19	2005, as applicable with the exception of nitrogen oxides which
20	shall be allocated according to the additional requirements of
21	Subsection (c). The commission shall maintain a special reserve of
22	allocations for new units commencing operation on or after January
23	1, 2001, as defined by 40 C.F.R. Subparts AA through HH and Subparts
24	AAA through HHH of Part 96 and 40 C.F.R. Subpart HHHH of Part 60, as
25	applicable with the exception of nitrogen oxides which shall be
26	allocated according to the additional requirements of Subsection
27	<u>(c)</u> .

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1	(c) Additional requirements regarding NOx allocations:								
2	(1) The commission shall maintain a special reserve of								
3	allocations for nitrogen oxide of 9.5 percent for new units.								
4	Beginning with the 2015 control period, units shall be considered								
5	new for each control period in which they do not have five years of								
6	operating data reported to the commission prior to the date of								
7	allocation for a given control period. Prior to the 2015 control								
8	period, units that commenced operation on or after January 1, 2001,								
9	will receive NOx allocations from the special reserve only.								
10	(2) Nitrogen oxide allowances shall be established for								
11	the 2009-2014 control periods for units commencing operation before								
12	January 1, 2001, using the average of the three highest amounts of								
13	the unit's adjusted control period heat input for 2000 through								
14	2004, with the adjusted control period heat input for each year								
15	calculated as follows:								
16	(A) if the unit is coal-fired during the year,								
17	the unit's control period heat input for such year is multiplied by								
18	90 percent;								
19	(B) if the unit is natural gas-fired during the								
20	year, the unit's control period heat input for such year is								
21	multiplied by 50 percent; and								
22	(C) if the fossil fuel fired unit is not subject								
23	to Subparagraph (A) or (B) of this paragraph, the unit's control								
24	period heat input for such year is multiplied by 30 percent.								
25	(3) Before the allocation date specified by EPA for								
26	the control period beginning January 1, 2016, and every five years								
27	thereafter, the commission shall adjust the baseline for all								

1	affected units using the average of the three highest amounts of the
2	unit's adjusted control period heat input for periods one through
3	five of the preceding seven control periods, with the adjusted
4	control period heat input for each year calculated as follows:
5	(A) for units commencing operation before
6	January 1, 2001:
7	(i) if the unit is coal-fired during the
8	year, the unit's control period heat input for such year is
9	multiplied by 90 percent;
10	(ii) if the unit is natural gas-fired
11	during the year, the unit's control period heat input for such year
12	is multiplied by 50 percent; and
13	(iii) if the fossil fuel fired unit is not
14	subject to Subdivision (3)(A)(i) or (3)(A)(ii) of this
15	subparagraph, the unit's control period heat input for such year is
16	multiplied by 30 percent.
17	(B) for units commencing operation on or after
18	January 1, 2001, in accordance with the formulas set forth by USEPA
19	in 40 C.F.R. 96.142 with any corrections to this section that may be
20	issued by USEPA prior to the allocation date.
21	(d) This section applies only while the federal rules cited
22	in this section are enforceable and does not limit the authority of
23	the commission to implement more stringent emissions control
24	requirements.
25	(e) In adopting rules under Subsection (a), the commission
26	shall incorporate any modifications to the federal rules cited in
27	this section that result from a request for rehearing regarding

1	those	rules	that	is	filed	with	the	United	States	Environmental

2 Protection Agency or from a petition for review of those rules that

4 (f) The commission shall take all reasonable and appropriate steps to exclude the West Texas Region and El Paso 5 6 Region, as defined by Section 39.264(g), Utilities Code, from any requirement under, derived from, or associated with 40 C.F.R. 7 Sections 51.123, 51.124, and 51.125, including filing a petition 8 for reconsideration with the United States Environmental 9 Protection Agency requesting that it amend 40 C.F.R. Sections 10 51.123, 51.124, and 51.125 to exclude such regions. The commission 11 12 shall promptly amend the rules it adopts under Subsection (a) of this section to incorporate any exclusions for such regions that 13 14 result from the petition required under this subsection.

15 (g) The commission shall study the availability of mercury control technology. The commission shall also examine the timeline 16 17 for implementing the reductions required under the federal rules, the cost of additional controls both to the plant owners and 18 19 consumers, and the fiscal impact on the state of higher levels of mercury emissions between 2005 and 2018, and consider the impact of 20 21 trading on local communities. The commission shall report its 22 findings by September 1, 2006.

23 SECTION 3. Section 386.002, Health and Safety Code, is 24 amended to read as follows:

25 Sec. 386.002. EXPIRATION. This chapter expires August 31, 26 <u>2010</u> [<del>2008</del>].

27

3

is filed with a court.

SECTION 4. Section 386.053(c), Health and Safety Code, is

1 amended to read as follows:

The commission shall make draft guidelines and criteria 2 (c) available to the public and the United States Environmental 3 4 Protection Agency before the 30th [45th] day preceding the date of 5 final adoption and shall hold at least one public meeting to 6 consider public comments on the draft guidelines and criteria before final adoption. The public meeting shall be held in the 7 affected state implementation plan area, and if the guidelines 8 affect more than one state implementation plan area, a public 9 meeting shall be held in each affected state implementation plan 10 area affected by the guidelines. 11

SECTION 5. Sections 386.058(b) and (e), Health and Safety
Code, are amended to read as follows:

14

(b) The governor shall appoint to the advisory board:

15

(1) a representative of the trucking industry;

16 (2) a representative of

(4)

17 manufacturing industry;

18

20

(3) a representative of the electric utility industry;

19

(5) a representative of the nonprofit organization

a representative of regional transportation; and

the

air

conditioning

21 <u>described by Section 386.252(a)(2)</u> [the Texas Council on 22 <u>Environmental Technology</u>].

(e) Appointed members of the advisory board serve staggered
<u>four-year</u> [two-year] terms, with the [. The] terms of seven or
<u>eight</u> appointed members <u>expiring</u> [expire] February 1 of each
[even-numbered year. The terms of eight appointed members expire
February 1 of each] odd-numbered year. An appointed member may be

1 reappointed to a subsequent term. 2 SECTION 6. Section 386.102, Health and Safety Code, is amended by adding Subsection (e) to read as follows: 3 4 (e) To improve the success of the program the commission: (1) shall establish cost-effective limits for grants 5 6 awarded under the program to an owner or operator of a locomotive or marine vessel that are lower than the cost-effectiveness limits 7 8 applied to other emissions reductions grants; 9 (2) shall determine the maximum amount of reductions available from the locomotive and marine sectors and develop 10 strategies to facilitate the maximum amount of reductions in these 11 12 sectors; and (3) shall include in the report required by Section 13 386.057(b) that is due not later than December 1, 2006, an analysis 14 15 of the cost-effectiveness of the grants in these sectors. SECTION 7. Section 386.111(a), Health and Safety Code, is 16 17 amended to read as follows: (a) The commission shall review an application for a grant 18 for a project authorized under this subchapter, including an 19 application for a grant for an infrastructure project, immediately 20 on receipt of the application. If the commission determines that an 21 application is incomplete, the commission shall notify the 22 applicant[, not later than the 15th working day after the date on 23 24 which the commission received the application, ] with an explanation 25 of what is missing from the application. The commission shall 26 [record the date and time of receipt of each application the commission determines to be complete and shall] evaluate the 27

completed application according to the appropriate project 1 criteria. Subject to available funding, the commission shall make 2 a final determination on an application as soon as possible [and not 3 4 later than the 60th working day after the date the application is 5 determined to be complete]. SECTION 8. Section 386.116(d), Health and Safety Code, is 6 7 amended to read as follows: 8 (d) The [On or before December 1 of each even-numbered year, 9 the] commission shall include in the biennial plan report required 10 by Section 386.057(b) a report of commission actions and results under this section [to the governor, lieutenant governor, and 11 speaker of the house of representatives]. 12 SECTION 9. Subchapter C, Chapter 386, Health and Safety 13 Code, is amended by adding Section 386.117 to read as follows: 14 15 Sec. 386.117. REBATE GRANTS. (a) The commission shall adopt a process for awarding grants under this subchapter in the 16 17 form of rebates to streamline the grant application, contracting, reimbursement, and reporting processes for certain projects. The 18 19 process adopted under this section must: (1) designate certain types of projects, such as 20 21 repowers, replacements, and retrofits, as eligible for rebates; (2) project standardized oxides of nitrogen emissions 22 reductions for each designated project type; 23 24 (3) assign a standardized rebate amount for each 25 designated project type; (4) allow for processing rebates on an ongoing 26 27 first-come, first-served basis; and

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H.B. No. 2481 (5) consolidate, simplify, and reduce the 1 2 administrative work for applicants and the commission associated with grant application, contracting, reimbursement, and reporting 3 processes for designated project types. 4 (b) The commission may limit or expand the designated 5 6 project types as necessary to further the goals of the program. (c) The commission may award rebate grants as a pilot 7 8 project for a specific region or may award the grants statewide. 9 (d) The commission may administer the rebate grants or may designate another entity to administer the grants. 10 SECTION 10. Section 386.251(c), Health and Safety Code, is 11 amended to read as follows: 12 (c) The fund consists of: 13 (1) the amount of money deposited to the credit of the 14 fund [contributions, fees, and surcharges] under: 15 (A) Section 386.056; 16 Sections 151.0515 and 152.0215, Tax Code; and 17 (B) Sections <u>501.138</u>, 502.1675, and 548.5055 (C) 18 [and 548.256(c)], Transportation Code; and 19 (2) grant money recaptured under Section 386.111(d). 20 SECTION 11. Section 386.252(a), Health and Safety Code, is 21 amended to read as follows: 22 (a) Money in the fund may be used only to implement and 23 24 administer programs established under the plan and shall be 25 allocated as follows: (1) for the diesel emissions reduction incentive 26 program, 87.5 percent of the money in the fund, of which not more 27

H.B. No. 2481 1 than 10 percent may be used for on-road diesel purchase or lease 2 incentives;

3 for the new technology research and development (2) program, 9.5 percent of the money in the fund, of which up to 4 \$250,000 is allocated for administration, up to \$200,000 is 5 6 allocated for a health effects study, \$500,000 is to be deposited in the state treasury to the credit of the clean air account created 7 8 under Section 382.0622 to supplement funding for air quality planning activities in affected counties, [and] not less than 20 9 percent is to be allocated each year to support research related to 10 air quality for the Houston-Galveston-Brazoria and Dallas-Fort 11 Worth nonattainment areas by a nonprofit organization based in 12 Houston, and the balance is to be allocated each year to that 13 14 nonprofit organization based in Houston to be used to implement and 15 administer the new technology research and development program under a contract with the commission for the purpose of 16 17 identifying, testing, and evaluating new emissions-reducing technologies with potential for commercialization in this state and 18 19 to facilitate their certification or verification; and

20 (3) for administrative costs incurred by the 21 commission and the laboratory, three percent <u>of the money in the</u> 22 <u>fund</u>.

SECTION 12. Effective September 1, 2008, Section 386.252(a), Health and Safety Code, is amended to read as follows: (a) Money in the fund may be used only to implement and administer programs established under the plan and shall be allocated as follows:

1 (1) for the diesel emissions reduction incentive 2 program, <u>64</u> [<del>87.5</del>] percent of the money in the fund, of which not 3 more than 10 percent may be used for on-road diesel purchase or 4 lease incentives;

(2) for the new technology research and development 5 6 program, 33 [9.5] percent of the money in the fund, of which up to \$250,000 is allocated for administration, up to \$200,000 is 7 allocated for a health effects study, \$500,000 is to be deposited in 8 9 the state treasury to the credit of the clean air account created under Section 382.0622 to supplement funding for air quality 10 planning activities in affected counties, [and] not less than 10 11 [20] percent is to be allocated each year to support research 12 related to air quality for the Houston-Galveston-Brazoria and 13 14 Dallas-Fort Worth nonattainment areas by a nonprofit organization 15 based in Houston, not less than 25.5 percent is to be allocated each year to that nonprofit organization based in Houston to be used to 16 17 implement and administer the new technology research and development program under a contract with the commission for the 18 identifying, testing, and evaluating 19 purpose of new emissions-reducing technologies with potential 20 for 21 commercialization in this state and to facilitate their certification or verification, not more than \$12,500,000 is to be 22 allocated each year from any excess funds to be administered by the 23 24 commission to fund a study of regional ozone formation in this 25 state, meteorological and chemical modeling, and issues related to 26 ozone formation by ozone precursors and fine particulate matter formation in this state, and the balance is to be allocated each 27

year to the commission to fund promising new technologies as 1 2 identified through the new technology research and development program and recommended by that nonprofit organization based in 3 Houston in order to permit obtaining the maximum credits for 4 5 emissions reductions under the state's air quality state 6 implementation plans; and 7 (3) for administrative costs incurred by the commission and the laboratory, three percent of the money in the 8 9 fund. 10 SECTION 13. Section 387.003(a), Health and Safety Code, is amended to read as follows: 11 12 (a) The nonprofit organization described by Section 386.252(a)(2), under a contract with the commission as described by 13 that section[, in consultation with the Texas Council on 14 15 Environmental Technology], shall establish and administer a new technology research and development program as provided by this 16 17 chapter. SECTION 14. Section 387.005(a), Health and Safety Code, is 18 amended to read as follows: 19 (a) Grants awarded under this chapter shall be directed 20 toward a balanced mix of: 21 (1) retrofit and add-on technologies to 22 reduce emissions from the existing stock of vehicles targeted by the Texas 23 24 emissions reduction plan; 25 (2) advanced technologies for new engines and vehicles 26 that produce very-low or zero emissions of oxides of nitrogen, 27 including stationary and mobile fuel cells;

(3) studies to improve air quality assessment and
 modeling; and

3 (4) [advanced technologies that promote increased
4 building and appliance energy performance; and

5 [<del>(5)</del>] advanced technologies that reduce emissions 6 from other significant sources.

7 SECTION 15. Section 388.003(e), Health and Safety Code, is 8 amended to read as follows:

Local amendments may not result in less stringent energy 9 (e) efficiency requirements in nonattainment areas and in affected 10 counties than the energy efficiency chapter of the International 11 Residential Code or International Energy Conservation Code. Local 12 amendments must comply with the National Appliance Energy 13 Conservation Act of 1987 (42 U.S.C. Sections 6291-6309), 14 as 15 amended. The laboratory, at the request of a municipality or county, shall determine the relative impact of proposed local 16 17 amendments to an energy code, including whether proposed amendments are substantially equal to or less stringent than the unamended 18 For the purpose of establishing uniform requirements 19 code. throughout a region, and on request of a council of governments, a 20 21 county, or a municipality, the laboratory may recommend a climatically appropriate modification or а climate 22 zone designation for a county or group of counties that is different from 23 24 the climate zone designation in the unamended code. The laboratory 25 shall:

(1) report its findings to the council, county, or
 municipality, including an estimate of any energy savings potential

1 above the base code from local amendments; and 2 (2) annually submit a report to the commission: 3 (A) identifying the municipalities and counties whose codes are more stringent than the unamended code, and whose 4 5 codes are equally stringent or less stringent than the unamended 6 code; and 7 (B) quantifying energy savings and emissions 8 reductions from this program. SECTION 16. Section 389.003, Health and Safety Code, is 9 amended to read as follows: 10 Sec. 389.003. COMPUTING ENERGY EFFICIENCY 11 EMISSIONS REDUCTIONS AND ASSOCIATED CREDITS. 12 (a) The commission shall develop a method to use in computing emissions reductions obtained 13 through energy efficiency initiatives, including renewable energy 14 15 initiatives, and the credits associated with those reductions. (b) The laboratory shall assist the commission and affected 16 17 political subdivisions in quantifying, as part of the state implementation plan, credits for emissions reductions attributable 18 19 to energy efficiency programs, including renewable energy 20 programs. 21 SECTION 17. Section 151.0515(d), Tax Code, is amended to read as follows: 22 This section expires September 30, 2010 [2008]. 23 (d) 24 SECTION 18. Section 152.0215(c), Tax Code, is amended to read as follows: 25 26 (c) This section expires September 30, 2010 [2008]. 27 SECTION 19. Section 501.138, Transportation Code, is

H.B. No. 2481 1 amended by amending Subsections (a) and (b) and adding Subsections 2 (b-1), (b-2), and (b-3) to read as follows: An applicant for a certificate of title, other than the 3 (a) state or a political subdivision of the state, must pay the county 4 5 assessor-collector a fee of: 6 (1) \$33 if the applicant's residence is a county 7 located within a nonattainment area as defined under Section 107(d) 8 of the federal Clean Air Act (42 U.S.C. Section 7407), as amended, or is an affected county, as defined by Section 386.001, Health and 9 Safety Code; 10 \$28 if the applicant's residence is any other 11 (2) 12 county; or (3) or after September 1, 13 on 2010 [<del>2008</del>], \$28 14 regardless of the county in which the applicant resides. 15 (b) The county assessor-collector shall send: \$5 of the fee to the county treasurer for deposit 16 (1) 17 in the officers' salary fund; (2) \$8 of the fee to the department: 18 19 (A) together with the application within the time prescribed by Section 501.023; or 20 21 (B) if the fee is deposited in an interest-bearing account or certificate in the county depository or 22 invested in an investment authorized by Subchapter A, Chapter 2256, 23 24 Government Code, not later than the 35th day after the date on which the fee is received; and 25 (3) the following amount to the comptroller at the 26 27 time and in the manner prescribed by the comptroller:

H.B. No. 2481 \$20 of the fee if the applicant's residence 1 (A) is a county located within a nonattainment area as defined under 2 Section 107(d) of the federal Clean Air Act (42 U.S.C. Section 3 4 7407), as amended, or is an affected county, as defined by Section 5 386.001, Health and Safety Code; 6 (B) \$15 of the fee if the applicant's residence 7 is any other county; or 8 (C) on or after September 1, 2010, \$15 regardless of the county in which the applicant resides. 9 (b-1) Fees collected under <u>Subsection</u> (b) [this subsection] 10 to be sent to the comptroller shall be deposited as follows: 11 (1) [(i)] before September 1, 2008, to the credit of 12 the Texas emissions reduction plan fund; and 13 (2) on or [(ii)] after September 1, 2008, to the credit 14 15 of the Texas Mobility Fund, except that \$5 of each fee imposed under Subsection (a)(1) and deposited on or after September 1, 2008, and 16 before September 1, 2010, shall be deposited to the credit of the 17 Texas emissions reduction plan fund. 18 19 (b-2) The comptroller shall establish a record of the amount of the fees deposited to the credit of the Texas Mobility Fund under 20 21 Subsection (b-1). On or before the fifth workday of each month, the department shall remit to the comptroller for deposit to the credit 22 of the Texas emissions reduction plan fund an amount of money equal 23 24 to the amount of the fees deposited by the comptroller to the credit of the Texas Mobility Fund under Subsection (b-1) in the preceding 25 26 month. The department shall use for remittance to the comptroller 27 as required by this subsection money in the state highway fund that

1 is not required to be used for a purpose specified by Section 7-a, Article VIII, Texas Constitution, and may not use for that 2 remittance money received by this state under the congestion 3 mitigation and air quality improvement program established under 23 4 5 U.S.C. Section 149. (b-3) This subsection and Subsection (b-2) expire September 6 7 1, 2010. SECTION 20. Section 502.1675(c), Transportation Code, 8 is 9 amended to read as follows: 10 (c) This section expires August 31, 2010 [2008]. SECTION 21. Section 548.5055(c), Transportation Code, is 11 amended to read as follows: 12 This section expires August 31, 2010 [2008]. 13 (c) SECTION 22. Sections 386.001(4), 386.057(e), 387.002, and 14 15 387.010, Health and Safety Code, and Sections 548.256(c) and (d), Transportation Code, are repealed. 16 SECTION 23. The Texas Commission on Environmental Quality 17 shall prepare guidance documents for the rebate grants required by 18 19 Section 386.117, Health and Safety Code, as added by this Act, not later than January 1, 2006. 20 21 SECTION 24. (a) As soon as practicable on or after the effective date of this Act, the governor shall appoint to the Texas 22 Emissions Reduction Plan Advisory Board a representative of the 23 24 nonprofit organization described by Section 386.252(a)(2), Health and Safety Code, as required by Section 386.058(b), Health and 25 26 Safety Code, as amended by this Act, to replace the representative of the Texas Council on Environmental Technology serving on that 27

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1 board on the effective date of this Act.

2 As soon as practicable on or after the effective date of (b) 3 this Act, the governor, lieutenant governor, and speaker of the 4 house of representatives, by mutual agreement, shall designate the terms of the appointed members of the Texas Emissions Reduction 5 6 Plan Advisory Board so that the terms of seven appointed members expire on February 1, 2007, and the terms of eight appointed members 7 expire on February 1, 2009, as provided by Section 386.058(e), 8 Health and Safety Code, as amended by this Act. 9

SECTION 25. Except as otherwise provided by this Act, this
Act takes effect September 1, 2005.

President of the Senate

Speaker of the House

I certify that H.B. No. 2481 was passed by the House on April 28, 2005, by a non-record vote; and that the House concurred in Senate amendments to H.B. No. 2481 on May 29, 2005, by a non-record vote; and that the House adopted H.C.R. No. 248 authorizing certain corrections in H.B. No. 2481 on May 30, 2005, by a non-record vote.

## Chief Clerk of the House

I certify that H.B. No. 2481 was passed by the Senate, with amendments, on May 20, 2005, by the following vote: Yeas 31, Nays O; and that the Senate adopted H.C.R. No. 248 authorizing certain corrections in H.B. No. 2481 on May 30, 2005, by a viva-voce vote.

Secretary of the Senate

APPROVED: \_\_\_\_\_

Date

Governor