



Lone Star Chapter, Sierra Club Comments on VW Settlement (Appendix D)
VWsettle@tceq.texas.gov

Delivered by email on January 24, 18

Dear TCEQ,

Thank you for the opportunity to provide brief comments on the proposed allocation of the VW Settlement Money, which is to be administered by the TCEQ.

First of all, the Sierra Club does support the decision by the Governor of Texas to put TCEQ in charge of the VW Settlement money, a position we made clear during 2016 and 2017.

We believe given the long experience of TCEQ in administering TERP grants and programs, TCEQ already has in place the staff, expertise and experience to administer VW settlement funds in an efficient, and cost-effective manner. Thus, we do not believe that major new program staff or processes will be needed. While we agree that normal TERP monies should not be mixed with the VW settlement monies, we do believe the two can support one another. Thus, VW funds might support part of the cost of purchase of a new electric bus, while the Alternative Fuels program might pay for a charging station. In this way, TCEQ can help leverage more projects. Or alternatively, a fleet manager might be able to support the repowering or purchase of half of its fleet with TERP and half with VW funds.

We particularly would like TCEQ to be creative in bundling funding for EV transit buses and charging stations, so that an applicant might be able to grow electric bus transportation complete with needed infrastructure.

While \$209 million may seem like a lot of money -- and it is -- it is not if you consider the large state, and the large number of vehicles that could be repowered, purchased or retrofitted to be cleaner, as well as other non-road construction, locomotive and marine vessels. Indeed, if TCEQ were to allow the maximum 100% replacement of costs, \$209 million would only buy you about 220 electric buses, or 307 CNG buses, or 1,393 electric yard hostlers, or 200 freight switchers or 22 shorepower projects.

Thus our first comment is that Texas's VW plan should not be designed to give grants that would provide the full 100% cost of public (or 75% of private) vehicles or projects, but to consider providing the incremental costs of going to alternative fuel vehicles. Thus,

as an example, if an all-electric transit bus costs \$800,000, compared to a \$450,000 diesel transit bus, then grants should focus on the incremental difference of that cost.

Second, Texas already has a very effective DERI program that has helped older diesel vehicles be replaced with more modern diesel projects. Thus, we believe that the VW settlement should be focused on getting even cleaner alternative fueled vehicles and non-road sources, particularly focused on the electric-powered vehicle sector.

Generally, we think the funding should be divided between on-road (40%) and non-road (40%) uses. Thus, we would suggest that approximately 20% be set aside for Class 8 vehicles and Class 4-7 trucks, shuttles and school buses, and that the other 20% be exclusively earmarked for Class 4-8 transit buses, which will have societal benefits since so many Texans rely on transit buses. Non-road uses could include tugs, ferries, port and cargo equipment, freight switches and shore-power projects.

We would want TCEQ to have some flexibility to move funds around should there not be demand in a particular sector, but believe splitting the bulk of the funds between on-road and non-road is appropriate.

Other Considerations

1. Texas should absolutely take advantage of and set aside the maximum 15% for the EVSE program, for infrastructure that will help jumpstart the transition to electrification of our vehicles and fleets. We think the program should be designed to support both superfast DC charging stations along major highways that connect major cities - such as along I-10 and I-35 -- such that there is charging available at least every 20 to 40 miles == and community Tier 1 stations (fast-charging), particularly near multi-family units, supermarkets and other areas to assure access in all major cities. This program of course should be coordinated through other efforts being undertaken with Electrify America, DOE and DOT efforts and local government efforts to increase electrification.
2. TCEQ should consider both the normal capital cost cost-effectiveness per pollutant reduced, but also the ongoing operations and maintenance costs. Thus, while some projects might seem cost-effective based only on capital costs, also considering the O & M costs over the life of the program will help show the true cost-effectiveness of projects, even though grants won't be paying for O & M costs.
3. TCEQ should prioritize the three expected non-attainment areas (Houston, Dallas, San Antonio) as well as other "Affected" counties such as Austin, El Paso, Waco, Corpus Christi, Beaumont/Port Arthur, Laredo and Tyler-Longview, and the corridors between them. We would not be opposed to a small amount (5-10%) being used for other non-affected counties.
4. TCEQ should prioritize in addition to these non-attainment and affected counties projects that have further community benefits, such as areas that are impacted by multiple pollutants, including ozone, PM, toxic and other VOCs, including EJ communities and other areas with more limited economic opportunity.

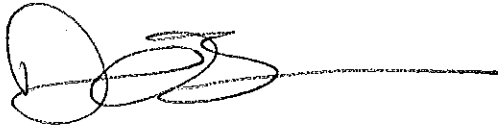
5. TCEQ should focus on NOx and VOC emissions that lead to ozone formation, but also consider the co-benefits where projects would also lower other emissions like particulate matter, methane and carbon dioxide. Thus, TCEQ should consider where a project would also help lower those pollutants.
6. TCEQ should seek to keep administrative costs low, and spend no more than 5% of the funding on administration, whether directly or through a third-party agreement with a COG.
7. TCEQ should consider other societal benefits, such as economic development to the extent a project could help spur service or manufacturing jobs within Texas.
8. Texas should not spend the money too fast or too slow. Rather, Texas should aim to spend about half the money in the first three years of the program, but reserve the other half for four to 10 years out to allow new technologies such as improved EV batteries and fuel cells to develop.

Thus, we support a plan that would be divided among on-road trucks, shuttles and school buses (20%), transit buses (20%) and non-road (40%) uses, EV infrastructure (15%) and administration (5%). Finally, at least 90% of the money should be spent in non-attainment and affected counties. We think getting some money out soon within the first year is important, but do believe some amount should be reserved for future years so that Texas can take advantage of advancements in electric vehicles.

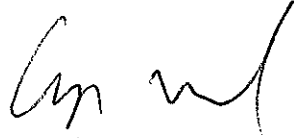
The Table below lays out our suggestions in more detail.

Category	Year One Funding	Year 2-3 Funding	Years 4-10 Funding	Total
On-Road School, Trucks and Shuttles	\$10,465,958.18	\$10,465,958.18	\$20,931,916.4	\$41,863,832.7
On-Road Transit	\$10,465,958.18	\$10,465,958.18	\$20,931,916.4	\$41,863,832.7
Non-Road	\$20,931,916.36	\$20,931,916.36	\$41,863,832.7	\$83,727,665.4
EVSE	\$7,849,468.63	\$7,849,468.63	\$15,698,937.27	\$31,397,874.54
TCEQ or 3 rd Party Administration	\$2,616,489.54	\$2,616,489.54	\$5,232,979.09	\$10,465,958.18
Total	\$52,329,790.89	\$52,329,790.89	\$104,659,581.79	\$209,319,163.57

Sincerely,

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

Drew O'Bryan
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A handwritten signature in black ink, appearing to be the name 'Cyrus Reed' in a cursive style.

Cyrus Reed
Conservation Director
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