

APPENDIX D-4
Beneficiary Eligible Mitigation Action Certification

BENEFICIARY ELIGIBLE MITIGATION ACTION CERTIFICATION

Beneficiary State of Texas

Lead Agency Authorized to Act on Behalf of the Beneficiary Texas Commission on Environmental Quality (TCEQ)
(Any authorized person with delegation of such authority to direct the Trustee delivered to the Trustee pursuant to a Delegation of Authority and Certificate of Incumbency)

Action Title:	Texas Volkswagen Environmental Mitigation Program (TxVEMP) Projects to Replace or Repower Freight Switchers	
Beneficiary's Project ID:	TX10	
Funding Request No.	(sequential)	
Request Type: (select one or more)	<input checked="" type="checkbox"/> Reimbursement	<input type="checkbox"/> Advance
Request Type: (select one or more)	<input type="checkbox"/> Other (specify): _____	
Payment to be made to: (select one or more)	<input type="checkbox"/> Beneficiary <input checked="" type="checkbox"/> Other (specify): <u>Vendors and Lead Agency</u>	
Funding Request & Direction (Attachment A)	<input type="checkbox"/> Attached to this Certification <input checked="" type="checkbox"/> To be Provided Separately	

SUMMARY

Eligible Mitigation Action <input checked="" type="checkbox"/> Appendix D-2 item (specify): <u>Freight Switchers</u> Action Type <input type="checkbox"/> Item 10 - DERA Option (5.2.12) (specify and attach DERA Proposal):
Explanation of how funding request fits into Beneficiary's Mitigation Plan (5.2.1): TCEQ requests <u>\$14,223,601.13</u> in funds for projects to replace or repower freight switchers. See attachment for more information.
Detailed Description of Mitigation Action Item Including Community and Air Quality Benefits (5.2.2): The operation of freight switchers in rail yards results in nitrogen oxides (NOx) emissions that can impact the formation of ground-level ozone in the local and regional area. Also, some of these rail yards are surrounded by communities where there is the potential for the public to be exposed to a higher concentration of pollutants emitted from older diesel engines operating at the rail yard. See attachment for more information.
Estimate of Anticipated NOx Reductions (5.2.3): Anticipated emissions reductions will depend on the freight switcher and/or specifications of engines being replaced. Emissions reductions will be assessed on a per-project basis.
Identification of Governmental Entity Responsible for Reviewing and Auditing Expenditures of Eligible Mitigation Action Funds to Ensure Compliance with Applicable Law (5.2.7.1): TCEQ
Describe how the Beneficiary will make documentation publicly available (5.2.7.2): See attachment for more information.
Describe any cost share requirement to be placed on each NOx source proposed to be mitigated (5.2.8): See attachment for more information.
Describe how the Beneficiary complied with subparagraph 4.2.8, related to notice to U.S. Government Agencies (5.2.9): In accordance with Section 4.2.8 of the State Trust Agreement, TCEQ provided notice via email to the U.S. Department of Interior and U.S. Department of Agriculture of the opportunity to request Volkswagen mitigation action funds. This notice included a copy of the State Trust Agreement and informed them of the opportunity to comment on Texas' draft Beneficiary Mitigation Plan.

If applicable, describe how the mitigation action will mitigate the impacts of NOx emissions on communities that have historically borne a disproportionate share of the adverse impacts of such emissions (5.2.10).

ATTACHMENTS
(CHECK BOX IF ATTACHED)

<input checked="" type="checkbox"/> Attachment A	Funding Request and Direction.
<input checked="" type="checkbox"/> Attachment B <i>Revised July 2025</i>	Eligible Mitigation Action Management Plan Including Detailed Budget and Implementation and Expenditures Timeline (5.2.4).
<input checked="" type="checkbox"/> Attachment C	Detailed Plan for Reporting on Eligible Mitigation Action Implementation (5.2.11).
<input checked="" type="checkbox"/> Attachment D	Detailed cost estimates from selected or potential vendors for each proposed expenditure exceeding \$25,000 (5.2.6). [Attach only if project involves vendor expenditures exceeding \$25,000.]
<input type="checkbox"/> Attachment E	DERA Option (5.2.12). [Attach only if using DERA option.]
<input type="checkbox"/> Attachment F	Attachment specifying amount of requested funding to be debited against each beneficiary's allocation (5.2.13). [Attach only if this is a joint application involving multiple beneficiaries.]

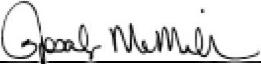
CERTIFICATIONS

By submitting this application, the Lead Agency makes the following certifications:

1. **This application is submitted on behalf of Beneficiary State of Texas _____, and the person executing this certification has authority to make this certification on behalf of the Lead Agency and Beneficiary, pursuant to the Certification for Beneficiary Status filed with the Court.**
2. **Beneficiary requests and directs that the Trustee make the payments described in this application and Attachment A to this Form.**
3. **This application contains all information and certifications required by Paragraph 5.2 of the Trust Agreement, and the Trustee may rely on this application, Attachment A, and related certifications in making disbursements of trust funds for the aforementioned Project ID.**
4. **Any vendors were or will be selected in accordance with a jurisdiction's public contracting law as applicable. (5.2.5)**
5. **Beneficiary will maintain and make publicly available all documentation submitted in**

support of this funding request and all records supporting all expenditures of eligible mitigation action funds subject to applicable laws governing the publication of confidential business information and personally identifiable information. (5.2.7.2)

DATED: 7/23/25


Josalyn McMillon

Deputy Director, Air Grants Division

Texas Commission on Environmental Quality

[LEAD AGENCY]

for

State of Texas

[BENEFICIARY]

[SAMPLE ATTACHMENT B - USE OF THIS FORMAT IS NOT MANDATORY]

PROJECT MANAGEMENT PLAN
PROJECT SCHEDULE AND MILESTONES

Milestone	Date
Lead Agency Provides Notice of Availability of Mitigation Action Funds	
Project Sponsor Submits Proposal to Lead Agency	
Lead Agency Provides Written Approval of Project Sponsor's Proposal	
Lead Agency Incorporates Project Sponsor's Proposal into Mitigation Plan	
Trustee Acknowledges Receipt of Project Certification and Funding Direction	
Trustee Allocates Share of State Funds for Approved Project	
Lead Agency Directs Funding (Advance Funded Projects)	
Project Sponsor Obtains Cost Share, Notifies or Certifies to Lead Agency	
Project Sponsor Enters into Contracts, Purchase Orders, etc. - Start	
Project Sponsor Enters into Contracts, Purchase Orders, etc. - Complete	
Project Installation(s) - Start	
Project Installation(s) - Complete	
Project Sponsor provides detailed invoices for all claimed project costs, documentation for emission reduction estimates, required certification documents to Lead Agency to support direction to Trustee for Payment (Reimbursement, Direct-to-Vendor) or final accounting (Forward Funded Projects)	-
Lead Agency completes review and certifies payment direction to Trustee (Reimbursement)	
Trustee Acknowledges Receipt of Direction for Payment(s) (Advance Funded, Reimbursement)	-
Project Sponsor Certifies Project Completion	
Lead Agency Reports Project Completion	

PROJECT BUDGET

Period of Performance: _____				
Budget Category	Total Approved Budget	Share of Total Budget to be Funded by the Trust	Cost-Share, if applicable (Entity #1)	Cost-Share, if applicable (Entity #2)
1. Equipment Expenditure	\$	\$	\$	\$
2. Contractor Support (Provide List of Approved Contractors as Attachment with approved funding ceilings)	\$	\$	\$	\$
3. Subrecipient Support (Provide List of Approved Subrecipients or Grant Awardees as Attachment with approved funding ceilings)	\$	\$	\$	\$
4. Administrative ¹	\$	\$	\$	\$
Project Totals	\$	\$	\$	\$
Percentage	%	%	%	%

¹ Subject to Appendix D-2 15% administrative cap.

PROJECTED TRUST ALLOCATIONS:

	2017	2018	2019	2020	2021
1. Anticipated Annual Project Funding Request to be paid through the Trust	\$	\$	\$	\$	\$
2. Anticipated Annual Cost Share	\$	\$	\$	\$	\$
3. Anticipated Total Project Funding by Year (line 1 plus line 2)	\$	\$	\$	\$	\$
4. Cumulative Trustee Payments Made to Date Against Cumulative Approved Beneficiary Allocation	\$	\$	\$	\$	\$
5. Current Beneficiary Project Funding to be paid through the Trust (line 1)	\$	\$	\$	\$	\$
6. Total Funding Allocated to for Beneficiary, inclusive of Current Action by Year (line 4 plus line 5)	\$	\$	\$	\$	\$
7. Beneficiary Share of Estimated Funds Remaining in Trust	\$	\$	\$	\$	\$
8. Net Beneficiary Funds Remaining in Trust, net of cumulative Beneficiary Funding Actions (line 7 minus line 6)	\$	\$	\$	\$	\$

Supplemental Form to Appendix D4

Explanation of how funding request fits into Beneficiary's Mitigation Plan (5.2.1).

TCEQ requests \$5,922,380.64 ~~\$14,223,601.13~~ in funds for projects to replace or repower freight switchers. Projects funded under this request will mitigate the potential for exposure of the public to pollutants.

Detailed Description of Mitigation Action Item Including Community and Air Quality Benefits (5.2.2).

This category includes the replacement or repower of freight switchers with new models. Freight switchers include locomotives that move rail cars around a rail yard as compared to a line-haul engine that moves freight long distances.

The operation of freight switchers in rail yards results in NO_x emissions that can impact the formation of ground-level ozone in the local and regional area. Also, some of these rail yards are surrounded by communities where there is the potential for the public to be exposed to a higher concentration of pollutants emitted from older diesel engines operating at the rail yard. These actions will reduce pollutant emissions levels in these areas and will directly address the program goals.

Describe how the Beneficiary will make documentation publicly available (5.2.7.2).

Documents will be made publicly available through the:

- Texas Volkswagen Environmental Mitigation Program (TxVEMP) website: www.TexasVWFund.org;
- TxVEMP email subscription list; and
- Texas Electronic State Business Daily website.

In addition, TCEQ will be hosting a public webinar to cover the program requirements and application process.

Describe any cost share requirement to be placed on each NO_x source proposed to be mitigated (5.2.8).

Grants will be awarded on a competitive basis. An applicant may apply for and be reimbursed for no more than the maximum percentage of cost limits. See below for the maximum percentage of cost limits.

Government-Owned	
Replacements, Repowers	100 %
Non-Government Owned	
Replacement - Electric	75%
Repower - Electric	75%

Payments will be made on a reimbursement basis for eligible expenses incurred and paid by the grantee. A cost may not be considered incurred until the grant-funded equipment and services have been received and accepted by the grantee. Grant recipients will be required to provide documentation to show that equipment or services have been received and the expenses have been incurred and paid by the grantee before reimbursement is provided by TCEQ.

Describe how the Beneficiary complied with the subparagraph 4.2.8, related to notice to U.S. Government Agencies (5.2.9).

In accordance with Section 4.2.8 of the State Trust Agreement, TCEQ provided notice via email to the U.S. Department of Interior and U.S. Department of Agriculture of the opportunity to request Volkswagen mitigation action funds. This notice included a copy of the State Trust Agreement and informed them of the opportunity to comment on Texas' draft Beneficiary Mitigation Plan.

If applicable, describe how the mitigation action will mitigate the impacts of NO_x emissions on communities that have historically borne a disproportionate share of the adverse impacts of such emissions (5.2.10).

The plan identifies seven Priority Areas that bear a disproportionate share of air pollution and particularly ozone within Texas:

- Dallas-Fort Worth Area
- Houston-Galveston-Brazoria Area
- San Antonio Area
- Austin Area
- El Paso County
- Bell County
- Beaumont-Port Arthur Area

These include the three areas of the state identified as nonattainment for the ground-level ozone National Ambient Air Quality Standards (NAAQS) and four other areas of the state that have monitored ground-level ozone concentrations close to the 2015 ground-level ozone NAAQS limit of 70 parts per billion.

Nonattainment Areas:

- Dallas-Fort Worth Area: Collin, Dallas, Denton, Ellis, Hood, Johnson, Kaufman, Parker, Rockwall, Tarrant, and Wise
- Houston-Galveston-Brazoria Area: Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, and Waller
- San Antonio Area: Bexar

Attainment Areas:

- Austin Area: Bastrop, Caldwell, Hays, Travis, and Williamson
- El Paso County
- Bell County
- Beaumont-Port Arthur Area: Hardin, Jefferson, and Orange
- San Antonio Area: Comal, Guadalupe, and Wilson

The Priority Areas contain many of the major metropolitan centers of the state as well as approximately 71% of the state population. Because of ground-level ozone formation in these areas, TCEQ has determined that 81% of the total funding (approximately \$169.5 million) will be allocated exclusively to these areas to provide beneficial impacts on air quality.

The replacement or repower of freight switcher locomotives that operate within communities located in these areas will help address the goals of the program, including reducing the potential exposure of residents in these communities to

TxVEMP

Attachment to D-4

Revised July 2025

pollutants emitted from older freight switchers. To be considered operating in an area, a majority (51% or more) of the annual hours of operation of the grant-funded equipment must occur in the Priority Area counties.

Attachment B to D-4: Eligible Mitigation Action Management Plan and Budget

Project Management Plan: Project Schedule and Milestones

Milestones	Date ¹
Application period for projects to replace or repower freight switchers	June 2024- Sept. 2024
Conduct program webinar	June 2024
Review and select project applications on a competitive basis	Sept. 2024 - Nov. 2024
Draft and execute contracts with entities selected for award	Nov. 2024 - Jan. 2025
Process certification of disposition for equipment and/or engines being replaced submitted by grantee	Jan. 2025 - April 2027
Process requests for reimbursement for the new equipment submitted by grantee	Jan. 2025 - April 2027
TCEQ certifies payment direction to Trustee monthly through the submission of an Attachment A	Jan. 2025 - April 2027
TCEQ will submit semi-annual reports to the Trustee describing the process of implementing each eligible mitigation action included in the funding requests. These reports will include the status of each project and updates on payments to grantees and agency administrative costs.	June and Jan per AY
Upon confirmation of payment, grantee begins commitment to operate the grant-funded equipment at least 51% of its total annual hours of operation in the Priority Areas.	Jan. 2025 - April 2027

¹Dates are approximate and may vary depending on the volume of applications received and awarded.

Project Budget

Budget Category	Total Requested Budget	Switchers Sub. 002	Revised Budget	Switchers Sub. 003	New Requested Budget
Project Expenditures	\$6,766,587.89	(\$1,056,148.42)	\$5,710,439.47	\$7,829,283.28	\$13,539,722.75
Administrative Expenditures	\$281,941.16	\$0.00	\$281,941.16	\$401,937.22	\$683,878.38
Total	\$7,048,529.05	(\$1,056,148.42)	\$5,992,380.63	\$8,231,220.50	\$14,223,601.13

Note: We are transferring \$8,077,309.39 from ZEV and \$153,911.11 from Oceangoing shore power into Freight switchers to utilize the funds and support future demand in the program.

Project Cost Share

Awardee Type	Project Type	% of Awardee Cost Share ¹
Government	Replacement and Repower	≥ 100%

¹The percentage of the cost share to be paid by the awardee is applied to each repower or replacement activity included in a contract.

Attachment C to Appendix D-4: Detailed Plan for Reporting on Eligible Mitigation Action Implementation

1. Purpose: TCEQ is preparing to open a round of funding under TxVEMP for projects to replace or repower freight switchers and repower ferries/tugs. Projects awarded under this round of funding will fall under two separate Mitigation Action Categories—Freight Switchers and Ferries/Tugs. This attachment is in reference to the Mitigation Action Category for Freight Switchers.

2. Program Criteria:

a. Eligible Applicants:

Eligible applicants under TxVEMP must operate a freight switcher at least 51% of the equipment's total annual hours of operation in one of the Priority Areas.

b. Equipment being replaced or repowered:

Freight switchers include locomotives that move rail cars around a rail yard as compared to a line-haul engine that moves freight long distances.

To be eligible for replacement or repower, the old freight switcher must:

- be a pre-Tier 4 switcher locomotive that operates 1,000 or more hours per year;
- be owned by the applicant at the time of application and have been continuously owned by the applicant for a minimum of two years immediately preceding the application signature date;
- currently be used in its primary function in the routine operations of the applicant and have been used in its primary function in the routine operations of the applicant in Texas for the two years immediately preceding the application signature date; and
- be in operating condition with at least five years of useful life remaining.

c. Replacement and Repower Qualifications:

1. Eligible government-owned freight switchers may be:

- a) repowered with any new diesel, alternative fuel, or all-electric engine(s) (including Generator Sets); or
- b) replaced with any new diesel, alternative fuel or all-electric (including generator sets) freight switcher.

The replacement or repowered freight switcher must be certified to meet the applicable EPA emissions standards as published in the Code of Federal Regulations for the engine model year in which the Eligible Freight Switcher Mitigation Action occurs.

2. Eligible non-government-owned freight switchers may be:

- a) repowered with any new all-electric engine(s) (including generator sets); or
- b) replaced with any new all-electric (including Generator Sets) freight switcher.

3. The engine in the replacement or repowered freight switcher may not have a model year more than one year older than the calendar year in which it was purchased.

4. The replacement freight switcher must be of the same type and intended for the same use in the same application or vocation.

d. Infrastructure Qualifications:

Applicants purchasing a qualifying freight switcher powered by electricity may request additional funding for on-site electric charging infrastructure.

1. Applicants may only include one electric charging infrastructure project site per application.
2. The electric charging infrastructure must provide, at a minimum, refueling capacity to the freight switchers replaced or repowered through this grant program.
3. Applicants may expand existing on-site charging infrastructure to accommodate the additional new grant-funded equipment in lieu of installing new service.
4. Applicants are required to be the owner of the site where the charging infrastructure equipment will be installed or be able to demonstrate the ability to install, operate, and maintain the charging infrastructure at the proposed site for the duration of the contract.

e. Activity life and usage commitment:

The applicant must commit to use the grant-funded equipment at least 51% of the equipment's total annual hours of operation in one of the Priority Areas for the duration of the five-year activity life. Annual reports on the use of the grant-funded equipment will not be required. However, the grant recipient must agree to provide information on the use of equipment upon request by TCEQ.

f. Eligible grant amounts:

1. Governmental entities may request up to 100% of the incremental cost of an eligible replacement or repower project, and associated infrastructure (if requested).
2. Non-governmental entities may request up to 75% of the incremental cost of an eligible replacement or repower project, and associated infrastructure (if requested).

3. Application Review and Selection:

Applications for eligible projects will be evaluated, scored, and ranked according to the scoring criteria provided below.

- a. **Cost per ton (CPT) of Nitrogen Oxides (NO_x) projected to be reduced.** Projects with the lowest CPT of NO_x reduced, as compared to all other projects, will receive the most points.
- b. **Total projected NO_x reductions.** Projects with the highest projected NO_x reductions (tons of NO_x), as compared to all other projects, will receive the most points.

4. Outreach:

- a. **Program Documents:** Program documents will be available on the TxVEMP website once the round has officially opened to the public. Documents have been drafted in accordance with accessibility standards and are available in a fillable PDF format.
- b. **Program Notifications:** Notifications will be provided on the status of grant rounds through the TxVEMP email list serve, official agency press releases, and the Electronic State Business Daily.
- c. **Funds availability status:** TxVEMP staff will maintain a report provided on the TxVEMP website to update interested parties on the availability of funding under this grant round.

- d. **Project Summaries:** TxVEMP staff will provide a monthly project summary report on the TxVEMP website. The report will include project descriptions, awarded grant amounts, and project emissions reductions.