SUBJECT: Exempting RRC from alternative-fuel vehicle purchase requirements

COMMITTEE: Energy Resources — favorable, without amendment

VOTE: 4 ayes — West, Farabee, Canales, Keffer

0 nays

3 absent — E. Jones, Crabb, Delisi

WITNESSES: For — Martin Fleming, Texas Independent Producers and Royalty Owners Association; *(Registered, but did not testify:)* Bill Stevens, Texas Alliance of Energy Producers

Against — *(Registered, but did not testify:)* Tom "Smitty" Smith, Public Citizen

On — Curtis J. Donaldson, Clean Fuel USA and ProCon; Tim Wood, Northwest Propane Gas Co.; *(Registered, but did not testify:)* Johnnie B. Rogers, Texas Propane Gas Association

BACKGROUND: Under Government Code, sec. 2158.004, a state agency that operates a fleet of more than 15 vehicles, other than law enforcement and emergency vehicles, may not buy or lease a vehicle that cannot use alternative fuels (compressed natural gas, liquefied natural gas, liquefied petroleum gas, methanol, ethanol, and methanol/ethanol/gasoline blends, or electricity), unless the agency obtains a waiver. Sec. 2158.005 requires that at least half the vehicles in an agency fleet of that size be capable of using alternative fuels.

The federal Clean Air Act sets forth air-quality standards that urban areas must attain to be considered in compliance. The U.S. Environmental Protection Agency (EPA) has designated four "nonattainment" areas in Texas: Dallas-Fort Worth, Houston-Galveston, Beaumont-Port Arthur, and El Paso. The 16 counties included are Brazoria, Chambers, Collin, Dallas, Denton, El Paso, Fort Bend, Galveston, Hardin, Harris, Jefferson, Liberty, Montgomery, Orange, Tarrant, and Waller.

DIGEST: HB 1192 would exempt the Railroad Commission of Texas (RRC) from the requirement to buy or lease alternative-fuel vehicles unless the vehicles were to be used in a nonattainment area designated under the federal Clean Air Act, as amended.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2003.

SUPPORTERS SAY: HB 1192 would save the state hundreds of thousands of dollars over the next five years by allowing the RRC to buy more cost-effective vehicles that burn gasoline. Alternative-fuel vehicles (AFVs) are more expensive and less reliable than conventional-fuel vehicles (CFVs) and are not well suited to the long-term offroad use that RRC employees require. The bill embodies a recommendation for improving efficiency made by the Oil Field Cleanup Fund Advisory Committee, which includes public members and appointees of the governor, lieutenant governor, and House speaker, as well as oil and gas industry representatives.

The RRC's current fleet of 249 pickup trucks and automobiles is used mostly by inspectors of oil and gas wells, pipelines, and railroad track. Of those, 155, or 62 percent, run on propane. About 40 AFVs are used in nonattainment areas. Whether converted at the factory or after purchase with kits installed by third-party vendors (now prohibited federally), AFVs have been estimated to cost between $2,000 and $4,000 more per unit than CFVs. Under the new state contract, not reflected in the fiscal note for HB 1192, the RRC estimates that it will have to pay an average of $6,200 more per AFV than for a CFV. As a result, costs will be even greater than anticipated unless the RRC receives some relief.

Many wells and pipelines are located in rugged terrain far from paved or even dirt roads. AFVs do not perform as well in this type of environment as do conventional vehicles, according to the RRC. Repairs are more frequent and take longer to complete, because AFVs often must be transported to urban areas where parts and service are more readily available, if at all. A 1999 internal RRC survey of propane problem failure incidents during a 20-month period found 370-day downtimes.

Allowing the use of CFVs in remote rural areas would save the state significant tax dollars during a difficult a fiscal crisis without exacerbating air-quality problems.

OPPONENTS SAY:

Texas has been a national leader in introducing propane-powered vehicles into state and local government fleets. Saving about $100,000 a year is not worth reversing Texas' progress toward cleaner air and energy independence through use of a domestically produced natural resource.

AFVs are becoming more cost-effective, reliable, and easier to maintain and repair. Parts availability is improving, and routine maintenance is less frequent than for CFVs. AFVs emit 60 to 80 percent less pollution per mile than their CFV counterparts. Used AFVs sold by state agencies to the public are relatively inexpensive and continue to improve air quality after their government service has ended.

Allowing an agency fleet to revert to using vehicles that are more polluting would be short-sighted. HB 1192 would exempt most of the RRC's vehicles; only about 20 would be using propane if the current nonattainment areas do not change. Reducing AFV usage to such a minuscule level would defeat the program's purpose.

The 16 counties in Texas' nonattainment areas are only a small part of the state's most threatened airsheds. Twenty-five counties in the Dallas-Fort Worth, Austin, San Antonio, Corpus Christi-Victoria, and Longview-Tyler-Marshall areas are located in what EPA has classified as near-nonattainment areas, meaning that they are close to being out of compliance with federal air-quality standards. Reducing fleet emissions is an important element of mitigating pollution. Taking more AFVs off the road would make it harder for these areas to remain in compliance. Lack of compliance can jeopardize vital federal highway construction money. If any of the borderline areas become nonattainment areas, the projected savings would decline.

OTHER OPPONENTS SAY:

Exempting one agency from the AFV purchase/lease requirement but not others would be unfair. Under the fiscal rationale, it would make more sense to exempt the Texas Department of Transportation's much larger fleet. Based on the criterion of offroad use, the Texas Parks and Wildlife Department and the Texas Commission on Environmental Quality also should qualify for exemptions.

NOTES: The bill's fiscal note projects greater savings (more than $76,000) in fiscal 2004 than in later years due to a higher volume of anticipated CFV purchases, assuming approval of the RRC's appropriations request for fiscal 2004-05. Total savings are estimated at slightly more than $200,000 through fiscal 2008, based on the RRC's current fleet size.