

Approved: 3/14/95

Date

MINUTES OF THE SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES.

The meeting was called to order by Chairperson Ben Vidricksen at 9:00 a.m. on March 15, 1995 in Room 245-E of the Capitol.

All members were present except:

Committee staff present: Hank Avila, Legislative Research Department
Ben Barrett, Legislative Research Department
Bruce Kinzie, Revisor of Statutes
Martha Ozias, Committee Secretary

Conferees appearing before the committee:

Ron Hein - MESA
Lee Eisenhauer - Propane Marketers Association of Kansas
Bill Fuller - Farm Bureau
Roy Ryscamp - United Postal Service

Others attending: See attached list

HB 2161 - Alternative Fuels

Ron Hein presented testimony in support of this bill which is an effort to have the state recognize the importance of alternative fuels for motor vehicles. He discussed the advantageous of using alternative fuels and presented two amendments, one to apply only to state vehicles based in Kansas City and Wichita and the other which would limit the tax credit to fleet vehicles only. (Attachment 1)

Lee Eisenhauer expressed support of alternate fuels in lieu of an energy project.

Testimony was presented by Bill Fuller in support of this legislation because the use of agricultural products for the production of alternative fuels provide an additional market for producers of corn, grain sorghum and soybeans. An additional benefit would be the improvement of air quality and the reduction of dependence on foreign fuels. (Attachment 2)

Roy Ryscamp addressed the committee on behalf of the United Parcel Service and explained that this legislation would provide needed incentives for them and other fleets to convert their vehicles to alternative fuels. (Attachment 3)

A balloon version of the bill was distributed and the suggested amendments were explained and discussed.

An amendment was made by Senator Papay to adopt the amendments. A second was made by Senator Lawrence and the motion carried.

The committee discussed the fiscal note and the chairman stated that he wanted to talk with the Department of Revenue and get an up-date before any decisions were made.

A motion was made by Senator Papay and seconded by Senator Harrington to approve the minutes of the March 14th meeting. Motion carried.

The meeting was then adjourned by the chairman.

The next meeting is scheduled for March 16, 1995.

SENATE TRANSPORTATION AND UTILITIES COMMITTEE GUEST LIST

DATE: March 15, 1995

NAME	REPRESENTING
BILL WARD	MOBIL
KANNY BOYLES	MOBIL
ROY RYSCAMP	LIPS
Tom Whittaker	Ks Motor Carriers Assn
Keed W Davis	KDOT
ED SCHAUB	WESTERN RESOURCES
Jack Graves	KN & Co
JOHN C. BOTTENBERG	Ks ETHANOL Assoc.
Lee Eisenhauer	Propane Marketers Assn of Ks
Vicker Woodbury	Propane Marketers Assn of Ks
Bob Totten	Ks Contractor Association
Lee Baker	Raytheon Aircraft Co.
John [unclear]	Kansas Farm Bureau
Bill Fuller	Kansas Farm Bureau
Ker Peterson	K's Petroleum Council
Don [unclear]	DoH
Elaine Frisbie	Division of the Budget

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SENATE TRANSPORTATION COMMITTEE

TESTIMONY RE: HB 2161

Presented by Ronald R. Hein

on behalf of MESA

March 15, 1995

Mr. Chairman, Members of the Committee:

My name is Ron Hein, and I am legislative counsel for Mesa. Mesa is one of the nation's largest independent natural gas producers and currently has approximately 60% of its natural gas reserves in the state of Kansas.

MESA strongly urges the legislature to approve HB 2161, either as it has been introduced, or with amendments as I will discuss below.

HB 2161 is an effort to have the State of Kansas, which is the fifth largest natural gas producing state in the nation, recognize the importance of alternative fuels for motor vehicles. Natural Gas is a clean burning fuel which is domestically available, cheaper than gasoline, safe to use, and because it is cleaner to burn, reduces maintenance costs on motor vehicles and increases motor vehicle life expectancy.

At the Federal level, the Clean Air Act as amended by the Energy Policy Act has clearly set out the direction that Congress would have the nation move with regards to alternative fuels. The Clean Air Act, among other things, mandates that state owned fleet vehicles in standard metropolitan statistical areas of more than 250,000 people must be converted to alternative fuels based upon a statutory phase-in.

Today, there are approximately 50,000 natural gas vehicles (NGVs) on the road in the U.S. and about 700,000 worldwide. By the year 2000, 10% of all vehicles may be running on natural gas.

Motor vehicles account for approximately 40% of the ozone and 65% of the carbon monoxide pollution in the United States. Approximately 50-60% of air pollution is tailpipe emissions. Compared with gasoline-powered vehicles, NGVs reduce emissions of carbon monoxide by more than 90 percent, hydrocarbons by up to 93 percent and nitrogen oxide up to 65 percent.

A natural gas vehicle will emit approximately 300-400 fewer pounds of pollutants per year than a gasoline powered car. This will help clean the environment, and hopefully avoid health problems relating to those pollutants.

SENATE TRANSPORTATION
DATE: 3/15
ATTACHMENT: /

Converting to natural gas will help the United States' balance of trade. Forty percent of the USA's trade deficit results from importation of foreign oil. The US could reduce consumption of oil by 500,000 barrels per day by the year 2000 if 10 million vehicles converted to natural gas.

Natural gas vehicles are safe. The gas tanks do not rupture in studies where they have been exposed to fire, crashes, and 44 caliber armor piercing bullets.

Even if the cylinder was punctured, the gas would simply escape, and would quickly disperse throughout the air since natural gas is lighter than air.

HB 2161 as amended by the House does three things:

1. The bill makes the provisions of the Federal Clean Air Act with regards to the phase-in acquisitions scheduled for alternative fueled vehicles applicable for the state fleet in Kansas City, Wichita, and Topeka.
2. HB 2161 sets up a revolving loan program, subject to an appropriation by the legislature, which funds will be used to make loans to local units of government who desire to convert vehicles, acquire new vehicles which are dedicated to alternative fuels, or install alternative fuel filling facilities.
3. HB 2161 establishes a tax credit for conversion expenses, initial acquisitions of dedicated vehicles, and alternative fueling facilities, subject to a \$25,000 per taxpayer cap.

MESA has had discussions with the Governor's office with regards to the potential fiscal note of HB 2161. MESA is cognizant of the desire of the legislature to hold down spending, and understand that this is not the time to begin some massive new state program. We therefore have some suggested amendments to insure that we can take some steps towards promoting alternative fuels in this state without incurring significant fiscal expense.

The amendments which we propose 1) amend the state phase-in acquisitions schedule so that it applies only to state vehicles based in Kansas City and Wichita, which are already required under federal law; 2) limit the tax credit to fleet vehicles only, and only for those fleets consuming 2,000 gallons of fuel per year on average; and 3) delay the provisions of the bill until 1996, which will also delay the fiscal impact until FY 97.

The use of alternative fueled vehicles should reduce the fuel costs and maintenance cost on motor vehicles for the State of Kansas as well as extend the motor vehicle life of these vehicles.

A vehicle which averages 20 miles a gallon and is kept by the state for 100,000 miles should save the state at least \$1,500 in fuel costs over the life of the vehicle, assuming a conservative 30 cents differential in fuels costs. In addition, there should be reduced maintenance costs, and, the vehicle should easily get more than 100,000 miles, thus generating additional savings to the state.

We urge the committee to approve the proposed amendments and HB 2161 as amended.

Thank you very much for permitting me to testify, and I will be happy to yield to questions.



PUBLIC POLICY STATEMENT

SENATE TRANSPORTATION and UTILITIES COMMITTEE

H.B. 2161 - Alternative Fueled Vehicles: Conversion of Government Fleets, Loan Program and Tax Credits

March 15, 1995
Topeka, Kansas

Presented by:
Bill Fuller, Associate Director
Public Affairs Division
Kansas Farm Bureau

Chairman Vidricksen and members of the committee:

My name is Bill Fuller. I am the Associate Director of the Public Affairs Division at Kansas Farm Bureau. We appreciate this opportunity today to express support for H.B. 2161.

The farm and ranch members of the 105 county Farm Bureaus in Kansas have long standing policy supporting the production, distribution and utilization of alternative fuels. The use of agricultural products for the production of fuel provide an additional market for our producers of corn, grain sorghum and soybeans. In addition, the use of these fuels will improve air quality and will reduce our dependence on petroleum based fuels.

The more than 430 voting delegates at the 76th Annual Meeting of Kansas Farm Bureau adopted the following policy:

Crop-based Alternative Fuel Production AG-11

We believe ethanol and biodiesel have great potential for reducing U.S. reliance on foreign oil, for addressing environmental concerns, and for crop consumption and crop price enhancement. We strongly support ethanol and biodiesel production and encourage:

1. Consumer education concerning crop-based alternative fuel use;
2. Promotion of ethanol as an octane rating enhancer and an emissions-reducing additive;
3. Utilization of crop-based fuels by state vehicles, by farmers and other consumers;
4. Suppliers to significantly increase quantities of crop-based alternative fuels available to customers; and
5. Establishment of research projects for the utilization of all by-products of the ethanol and biodiesel production processes.

We support tax credits and other appropriate measures which will promote production and sale of crop-based alternative fuels.

We believe KFB policy directly supports the provisions outlined in H.B. 2161:

1. Requires state fleet to purchase an increasing percentage of alternative fueled vehicles each year;
2. Provides loans to local units and public transit agencies for conversion; and
3. Provides income tax credit to taxpayers to cover conversion costs.

KFB is doing something to promote the use of alternative fuels. All drivers of vehicles in the KFB fleet have been advised to purchase ethanol-blended fuel. Directories identifying service stations with supplies of ethanol have been distributed. Information about supplies and utilization of biodiesel has also been distributed.

We certainly appreciate this hearing today. The impact of expanding the purchase and use of alternative fueled vehicles can significantly benefit both agriculture and our environment. Chairman Vidricksen and members of the committee, we respectfully encourage your approval of the concepts outlined in H.B. 2161. Thank you!

My name is Roy Ryscamp, and I am Manager of the West Region Public Affairs for United Parcel Service

On behalf of UPS, I thank you for the opportunity to appear before the committee today to testify in favor of legislation which would provide UPS and other fleets valuable and needed incentives to convert our vehicles to alternative fuels.

Alternative fuel technology will only be embraced by the general public if it is proven, available and reasonably priced. By providing incentives to fleets like UPS to make significant commitments to alternative fuels today, you help speed the acceptance of alternative fuels by the general public.

The incentives contained in the proposed legislation if broadened to include fuel site installation and increase the cap on conversions, would significantly improve the likelihood of our being able to move forward with an alternative fuels project in Kansas in the next two years. In fact, I have already informed our corporate Automotive department about the proposed legislation, and they are quite enthusiastic about the possibilities that would be created by the legislation.

UPS operates the largest centrally fueled fleet in the country - more than 73,000 vehicles. UPS consumes over half a billion gallons of aviation, diesel and gasoline fuel a year. Our interest in alternative fuels dates back to the 1930's when we introduced 100 electric package cars into our New York City operation.

We presently have CNG testing programs underway in New York, Oklahoma, California, Texas and Washington D.C. This year we will convert vehicles in Connecticut and Georgia. We have next-generation electric vehicles running in Washington, Sacramento...and soon to be announced...Mexico City.

We will also complete plans this year to have 70% of our Canadian fleet converted to propane.

Just last year Connecticut enacted similar legislation and as a result we are committed to converting 100 vehicles to CNG and will probably convert substantially more.

I present this background to the committee as a way of saying that UPS is not a new-comer to the subject of alternative fuels. In addition to our operational testing of alternative fuels, our company was very involved in the Clean Air Act Amendments of 1990 and the National Energy Policy Act of 1992. We were also actively involved with Transportation Control Measures that encourage fleet conversions to alternative fuels.

We believe alternative fuels have a bright future, we commend the committee for considering an approach which seeks to create new markets for alternative fuels through incentives rather than mandates.

I urge the committee to pass this legislation and thank you for your time and interest.

SENATE TRANSPORTATION
DATE: 3/15
ATTACHMENT: 3