SUBJECT: Changing provisions for alternative fuel vehicles used by state agencies

COMMITTEE: Energy Resources — favorable, without amendment

VOTE: 11 ayes — Darby, Paddie, Anchia, Craddick, Dale, Herrero, Keffer, P. King, Landgraf, Meyer, Riddle

0 nays

2 absent — Canales, Wu

WITNESSES: For — (*Registered, but did not testify*: June Deadrick, CenterPoint Energy; Mark Gipson, Pioneer Natural Resources; Tricia Davis, Texas Royalty Council; Greg Macksood)

Against — Amber Pearson, Protec Fuel; Todd Garner, Protec Fuel Management; (*Registered, but did not testify*: Arleen Averhoff, Corn Producers Association of Texas; Michael Pacheco, Texas Farm Bureau; Wayne Cleveland, Texas Grain Sorghum Producers Association)

On — (*Registered, but did not testify*: David Brymer, Texas Commission on Environmental Quality)

BACKGROUND: Government Code, sec. 2158.005 requires certain state agencies that operate fleets of more than 15 vehicles to ensure that at least 50 percent of those vehicles use alternative fuels by September 30, 2010. The comptroller may reduce that specified percentage or waive the requirement for a state agency that cannot comply due to a scarcity of alternative fuels or refueling equipment at a competitive cost in the area in which such vehicles are operating.

DIGEST: HB 3835 would prohibit a state agency from purchasing or leasing a vehicle that uses ethanol or ethanol/gasoline blends of 85 percent or greater. The bill also would remove the authorization for state agencies to purchase or lease a vehicle that would be converted to use biodiesel.

No later than September 30, 2025, the bill would require certain state agencies with fleets larger than 15 vehicles to update their fleets such that 50 percent used compressed natural gas, liquefied petroleum gas, or electricity. The comptroller no longer would be able to waive the requirement or reduce the required percentage for an agency whose vehicles were operating in an area in which there was a scarcity of alternative fuels or refueling equipment at a competitive cost.

This bill would establish that, for the purposes of the Office of Vehicle Fleet Management, an "alternative fuel" does not include blends of gasoline with either methanol, ethanol, or biodiesel.

This bill would take effect September 1, 2015.

SUPPORTERS SAY:

HB 3835 would begin a transition toward the use by state agencies of better, cheaper fuels than ethanol/gasoline blends in their fleet vehicles. The use of ethanol as a fuel has been shown to increase corrosion and to degrade rubber seals in engines. Although ethanol could become increasingly economical if the price of oil spikes again, the long-term maintenance costs far outweigh any gains.

The state should begin the transition toward different fuels soon. Although the refueling infrastructure does not currently exist for ethanol alternatives, this bill would be a positive first step toward establishing a viable alternative. HB 3835 would set an ambitious but achievable goal for state fleets to have at least a 50-percent alternative fuel mix that did not include ethanol/gasoline blends, which would cut state costs in the long run while reducing energy consumption and air pollution.

OPPONENTS SAY:

HB 3835 would prevent the expansion of a valuable alternative fuel that is already integrated into the distribution infrastructure. According to the comptroller's *State of the Fleet* report, the vast majority of vehicles purchased by the state in the past two years were equipped to run on a blend of ethanol and gasoline.

Certain attributes of ethanol-based fuel make it particularly attractive to state agencies. Ethanol blends cost much less than gasoline while yielding a higher octane rating, which translates to better performance for less money, particularly if the price of gas rises sharply again. Ethanol is the most widely available alternative fuel that cuts emissions and should therefore be retained by state agencies as a possible option for alternative fuels in fleet vehicles.