



AMERICAN PUBLIC GAS ASSOCIATION

July 28, 2014

The Honorable Ron Wyden
U.S. Senator
221 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Orrin Hatch
U.S. Senator
104 Hart Senate Office Building
Washington, DC 20510

Dear Senator Wyden and Senator Hatch:

On behalf of the American Public Gas Association (APGA), I would like to express our strong support for your amendment No. 3582 to the Highway and Transportation Funding Act of 2014 (H.R. 5021). Your amendment, which removes the revenue title of H.R. 5021, provides \$10.8 billion for the Highway Trust Fund, and levels the playing field for natural gas vehicles (NGVs) by changing the excise tax calculation for liquefied natural gas (LNG) from a volumetric calculation to one based a fuel's energy content.

APGA is the national association for publicly-owned natural gas distribution systems. There are currently approximately 1,000 public gas systems located in 37 states. Publicly-owned gas utility systems are not-for-profit, retail distribution entities owned by, and accountable to, the citizens they serve. They include municipal gas distribution systems, public utility districts, county utility districts, and other public agencies that have natural gas distribution facilities.

APGA strongly supports the replacement of gasoline or diesel-powered vehicles with NGVs using either compressed natural gas (CNG) or LNG. Many NGVs are currently price competitive with gasoline vehicles and are an attractive option for consumers due to significant fuel cost savings. For example, in the heavy-duty truck space, LNG has attracted the interest of many long-haul trucking companies because of the potential for fuel cost savings of over \$1 per gallon or more from using LNG compared to diesel. These fuel cost savings provide economically viable payback periods and lifecycle cost reductions.

The current federal tax treatment of LNG, however, serves as a significant barrier to the broader adoption of LNG as a transportation fuel. Sales of both LNG and diesel for motor vehicle use are taxed at rate of 24.3 cents per gallon. The result of levying the tax on a volumetric basis is an inequitable treatment of LNG. LNG is less energy dense than diesel as it requires 1.7 gallons of LNG to equal the energy content of 1 gallon of diesel. Therefore, LNG is taxed significantly more as compared to diesel to do the same work.

This significant inequity in tax treatment serves as a strong disincentive for long-haul truck fleets and other heavy-duty fleets to switch to LNG despite their fuel cost savings and environmental benefits. That is why your bipartisan amendment to switch the levying of the excise tax from a volumetric basis to an energy content basis, ensures that LNG and diesel will compete with one another on a level playing field in terms of federal taxation.

It is APGA's position that clean, affordable, and secure natural gas has a critical role to play in U.S. transportation policy. The deployment of LNG and CNG vehicles can simultaneously reduce our dependence on foreign oil, enhance our national security, improve our balance of trade, and reduce emissions. Your legislation will help ensure this promising future is realized.

On behalf of APGA, I thank you for your leadership on this critical issue. We look forward to working further with you on this and other natural gas consumer issues.

Sincerely,



Bert Kalisch
President & CEO