



AMERICAN PUBLIC GAS ASSOCIATION

September 12, 2013

The Honorable James M. Inhofe
United States Senator
205 Russell Senate Office Building
Washington, DC 20510

Dear Senator Inhofe,

On behalf of the American Public Gas Association (APGA), I would like to express our strong support for your recently introduced legislation, S. 1355, which will help encourage the production and purchase of natural gas vehicles (NGVs) without the use of subsidies or taxpayer funding, and will equalize marketplace treatment of NGVs with electric vehicles (EVs) and plug-in hybrid electric vehicles (PHEVs) in regards to national fuel economy standards.

APGA is the national association for publicly-owned natural gas distribution systems. There are approximately 1,000 public gas systems located in 37 states. Publicly-owned gas 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 districts, and other public agencies that have natural gas distribution facilities.

As you are aware, alternative fuel vehicles (AFVs) - both dedicated and bi-fuel - receive unique treatment under current Corporate Average Fuel Economy (CAFE) standards. One example of this is the fact that these vehicles' miles per gallon (MPG) ratings are calculated by dividing the rating by .15, and, in effect increasing their MPG rating by a multiple of 6.67. These increased ratings are credited by the Department of Transportation and the National Highway Traffic Safety Administration towards meeting the CAFE standards of a manufacturer's entire vehicle fleet.

There is currently a cap, however, on credits that can be earned by bi-fuel AFVs. Under current law, bi-fuel AFVs' contribution to a fleet's overall fuel economy is capped, while no such restrictions exist for PHEVs or EVs. This means that EVs and PHEVs can earn unlimited credits, while other technologies cannot. This serves as a disincentive for manufacturers to produce other AFVs, such as NGVs, while also providing an unfair advantage to EVs and PHEVs.

This unequal treatment of NGVs and AFVs under current CAFE standards is why your legislation is so critical. Parity is needed with regard to federal transportation policy so as to ensure a level playing field for manufacturers and consumers. Your bill accomplishes this in two ways: by removing the cap on credits for bi-fuel NGVs, and by expanding the definition of a dedicated NGV to include a reserve gasoline tank.

Removing the cap on CAFE credits for bi-fuel NGVs will incentivize vehicle manufacturers to increase production of NGVs, which are fueled by abundant, clean, American-sourced natural gas. Manufacturers will be incented to do so due to the fact that they can earn unlimited fuel economy credits, which will aid them in meeting increasingly stringent fuel economy targets.

According to the U.S. Department of Energy, consumers will also reap the benefits of NGVs and locally sourced energy, saving between \$1.00-\$2.00 per gallon of natural gas over regular gasoline.¹ These savings could help a family make their monthly mortgage payment, or allow a small business owner to hire new employees or invest in new equipment. A recent study by IHS CERA projects that the expanded use of natural gas could increase American family incomes by \$2000 by 2015.²

Expanding the definition of AFVs to include vehicles with a small reserve gasoline tank removes a significant barrier towards consumer adoption of NGVs. Construction of NGV refueling infrastructure is still underway across the United States, but is generally limited to areas near fleets with localized routes and central refueling stations. This lack of infrastructure has caused consumers to have what is termed "range anxiety", meaning they are cautious about driving their NGV to areas outside of known NGV refueling stations for fear there will not be a refueling station close enough to allow them to return home. A reserve gasoline tank allows consumers the ability to operate their vehicle primarily on natural gas, with the peace of mind knowing that, should they not be able to find a NGV refueling station, the reserve tank will allow them to return home.

APGA believes strongly that clean, affordable, abundant, domestic, and secure natural gas can play a critical role in U.S. transportation policy. Your legislation will help ensure that barriers to NGV production are removed and NGVs are given the same treatment as EVs and PHEVs, as well as giving consumers peace of mind when utilizing their NGV.

¹ US Department of Energy, "Average Retail Fuel Prices in the US," available at <http://www.afdc.energy.gov/data/10326>

² IHS, "U.S. Unconventional Oil and Gas Revolution to Increase Disposable Income by More than \$2,700 per Household and Boost U.S. Trade Position by More than \$164 billion in 2020, New IHS Study Says (September 4, 2013) available at <http://press.ihs.com/press-release/economics/us-unconventional-oil-and-gas-revolution-increase-disposable-income-more-270>

I thank you for your leadership on this critical issue. We look forward to working with you on this and other natural gas consumer issues in the future.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bert Kalisch". The signature is fluid and cursive, with the first name "Bert" and last name "Kalisch" clearly distinguishable.

Bert Kalisch
President and CEO