Approved: 3/7/94
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 February 23, 1994 in Room 254-E of the Capitol.

All members were present except:
Senator Emert - Excused

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:
Mary Turkington - Kansas Motor Carriers Association
Ron Hein - Legislative Counsel for Mesa
Jim Jones - KDOT
Steve Kearney - Kansas Oil Marketers Association
Jim Blaauw - Kansas Soybean Association
Lee Eisenhauer - Propane Marketers Association of Kansas
Jere White - Executive Director, Kansas Corn Growers Association and Kansas Grain Sorghum Producers

Others attending: See attached list

SB 760 - Relating to motor transportation brokers; providing for the licensing and regulation thereof

Mary Turkington addressed the Committee in support of this bill which addresses a need for competent motor transportation broker services and has provisions which protect shippers, brokers and carriers from violations involving lawful transportation charges. (Attachment 1)

SB 799 - Relating to motor vehicle fuels; concerning alternative fuels; establishing certain programs; providing certain tax credits

Ron Hein spoke in support of this bill stating that natural gas is a cheap, abundantly available, domestic fuel which is clean-burning, safer and better for our environment than other fossil fuels. He pointed out that Kansas City has been a non-attainment area and their need to eliminate air pollution, predominantly motor vehicle emissions, is one of the major reasons why this type of legislation is extremely important. This bill will help provide a cleaner environment, while benefiting the State of Kansas, a major natural gas producer, at minimal cost. (Attachment 2)

Jim Jones appeared for the Department of Transportation on this bill which would establish a Commission on Motor Vehicles Alternative Fuel Program and set a timetable for the conversion of state agencies' motor vehicles to alternative fuels as well as develop policies in a number of related areas. The Department of Transportation recognizes the importance of alternative fuels but the bill does not address several policy questions. These concerns include the timetable provided for the mandated new vehicle purchases and the amount and type of vehicles included. The technology for the conversion to natural gas is still under development and is not yet reliable. Loan provisions could be difficult for state agencies to manage and it would restrict the development of alternative refueling stations in the private sector. (Attachment 3)

Steve Kearney asked the Committee to give serious consideration to not adopting this legislation because of several concerns. He stated that the development of alternative fuels is an evolving process and many questions remain to be resolved. He also questioned providing incentives before the costs and benefits are known. (Attachment 4)

Jim Blaauw addressed the Committee on behalf of the soybean farmers who have been investing in the development of Biodiesel. Biodiesel is an alternative diesel fuel primarily made from soybean oil. It is clean burning, renewable, and grown in Kansas and meets the requirements of federal clean air legislation. He pointed out that the only commercial production facility in the United States for Biodiesel is located in Kansas. Mr. Blaauw addressed some concerns of **SB 799,** one being the establishment of a "commission on motor vehicle alternative fuel program". He stated that currently there is an Alternative Fuels Division within in the Kansas Corporation Commission and is suited to handle the program. He urged that if a new commission was established, the Secretary of Agriculture needed to be included. Another concern of the bill was that it does not include Biodiesel or ethanol which is an agriculturally derived alternative fuel. He urged strong support for alternative fuels as they help the environment and the economy of Kansas. (Attachment 5)

Lee Eisenhauer expressed support for the use of alternative motor fuels and stated that the loan program and income tax credits proposed in the bill provide some incentives with financial help to encourage the use of clean-air fuels in Kansas. However, she asked for consideration of some amendments. See testimony. (Attachment 6)

Jere White addressed the Committee in opposition to **SB 799.** He feels that this bill sends a strong message that "alternative fuels" mean only those from petroleum and it fails to provide recognition for other fuels being developed with Kansas resources. He felt that limiting the type of fuel to those listed in the bill would be a tragedy in Kansas. Mr. White stated that all fuels should be included, as well as any new fuels that might develop in the future. It was also noted that the development of infrastructure that serves only government vehicles would not seem very efficient. (Attachment 7)

Testimony was distributed but not read from:

Phillip A. Fishburn - Kansas Department of Agriculture (Attachment 8)
Ken Peterson - Executive Director, Kansas Petroleum Council (Attachment 9)
Todd Hall - President, National Fuel Systems, Inc. (Attachment 10)

The meeting was adjourned by the Chairman.

The next meeting is scheduled for February 24, 1994.

GUEST LIST

SENATE TRANSPORTATION COMMITTE

DATE: February 23, 1994

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Charles Nicolay	Topeka	Ks Oil Marketers Assn
TOM DAY	TOPEKA	KCC
Ron Hein	Topeka	Mesa
Dean Barber	Topeka	Barber Associates
Robert Haley	Topeka	KDOT
Jim Jones	Topeka	KDOT
Dean M. Testa	Topeka	KDOT
STEVE KEARNEY	TOPEKA	KS OIL MARKETERS ASSN
DON CARLILE	TOPEKA	KCC
Jack Glaves	Wichita	KN Energy
DAN STEVENS	TULSA	TEXACO
JOHN C. BOTTENBERG	TOPEKA	Ks Ethanol Assoc.
TOM WHITAKER	TOPEKA	Ks MOTOR CARRIERS ASSN
MARY TURKINGTON	TOPEKA	KS MOTOR CARRIERS ASSN
Jere White	Garnett	KS Corn Growers Assn.
Greg Krissek	Topeka	KS Dept. of Ag
Jim BLAAUW	TopekA	KS. Soybean ASSN.
LEE EISENHAUER	TOPEKA	PROPANE MARKETERS ASSN OF KS
Jim Brewer Sr	Leon	Propane Marketers Assn of KS
Bill Fuller	Manhattan	Kansas Farm Bureau
Ken PETERSON	Topeka	KS Petroleum Council

GUEST LIST (continued) DATE:

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Ted Prouty	Hesston Kans.	Prouty Truck Line Inc
Phyllis Prouty	Hesston, Ks.	Prouty Truck Line Inc
ED SCHAUB	Topeka Ks	Western Resources

STATEMENT

By The

KANSAS MOTOR CARRIERS ASSOCIATION

In support of Senate Bill 760 which provides for a Motor Transportation Broker.

Presented to the Senate Transportation & Utilities Committee, Senator Ben Vidricksen, Chairman; Statehouse, Topeka, Wednesday, February 23, 1994.

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I am Mary E. Turkington, Executive Director of the Kansas Motor Carriers Association with offices in Topeka. I appear here along with Tom Whitaker, KMCA Governmental Relations Director; representing our member-firms and the highway transportation industry.

Our industry strongly supports the provisions of Senate Bill 760 which provide for a motor transportation broker.

This legislation is patterned largely after the regulation of such transportation brokers by the Interstate Commerce Commission. The ICC has regulated such brokers for many years. Kansas currently does not regulate -- nor even define a motor transportation broker, even though such services are provided in one form or another.

Senate Bill 760 does <u>not</u> in any way address any other type of broker -- including grain brokers.

As proposed, this legislation would be administered as a new section of chapter 66 of Kansas Statutes Annotated under the direction of the Kansas Corporation Commission and involves only the transportation of property by a motor carrier.

ATTACHMENT 1

SEN. TRANS. 2/23/94 1-1

The bill also makes clear that a motor carrier, or persons who are employees or bona fide agents of such a motor carrier, are not brokers within the meaning of this act when such motor carrier, employee or bona fide agent of such motor carrier, arranges or offers to arrange the transportation of shipments which such carrier holds the authority to transport and which such carrier legally has bound itself to transport. Motor carriers would continue to provide for-hire transportation just as they do now.

The bill defines a "motor carrier", defines a "bona fide agent", and specifies that the "commission" is the state corporation commission.

The bill also defines "brokerage" or "brokerage service" as the arranging of transportation or the physical movement of a motor vehicle or of property.

The bill further provides that every motor carrier which provides transportation services to any shipper, must submit a statement for the full amount of applicable, lawful transportation charges to such shipper.

Such a statement for transportation charges may be submitted through a motor transportation broker but must only include the total lawful charges for the transportation services performed.

The shipper, in turn, must remit to the carrier, the full amount of the applicable, lawful charges for such transportation services.

In other words, the motor transportation broker cannot deduct any brokerage fee or commission from the lawful freight charges. The carrier must bill and the shipper must pay, the transportation charges in full.

The broker may collect a commission from any motor carrier -- an agreed-upon commission for brokerage service of not more than 5% of the motor carrier's applicable, lawful rate for such transportation service --- provided the motor carrier enters into an agreement with a broker for such services. The broker -- or the shipper -- however, cannot deduct such fees from the lawful transportation charges. That is discounting and is forbidden by law.

A broker also can receive compensation from more than one party (for instance from a carrier and a shipper) to the same transportation transaction.

The bill, in Section 3, sets out the requirement that a motor transportation broker be licensed, that the application for such a license be submitted to the state corporation commission, and that a one-time fee of $500 accompany the application. Such motor transportation broker license fees would be deposited in the commission's motor carrier fee fund.

The commission shall issue a motor transportation broker's license to an applicant whom the commission finds and determines is fit, willing and able to act as a broker for transportation and who will comply with this act and the rules and regulations of the commission.

A motor carrier as defined by section 1 of the act, who is authorized by the commission to transport property for compensation over the highways of this state, cannot be granted a broker's license nor could any applicant who acts as a shipper, consignee or consignor of freight.

Sections 5, 6 and 7 of the act set out the records and reports a licensed motor transportation broker would be required to keep. Section 8 provides for a bond for a broker who handles the payment of transportation charges to a motor carrier. If the broker chooses to have the shipper pay such charges direct to the motor carrier and does not handle money on behalf of a motor carrier for transportation charges, no bond would be required.

Section 9 sets out what a motor transportation broker's license permits the broker to do. Subsection (d) of Section 9, also includes the penalties for violations of the act.

The commission is authorized to adopt such rules and regulations as may be necessary to administer the act and the act would become effective from and after its publication in the statute book.

Mr. Chairman and members of the committee, this proposal has the strong support of the Kansas Motor Carriers Association and its members. It is patterned closely after the ICC broker requirements. We have conferred at length with the corporation commission's staff to make the bill as workable as possible. We believe the bill addresses a need for competent motor transportation broker services. We further believe there are provisions which protect shippers, brokers and carriers from violations involving lawful transportation charges.

We respectfully urge this committee to recommend Senate Bill 760 favorable for passage.

I will be pleased to respond to any questions you may have.

#######

HEIN, EBERT AND WEIR, CHTD.
ATTORNEYS AT LAW
5845 S.W. 29th Street, Topeka, KS 66614-2462
Telefax: (913) 273-9243
(913) 273-1441

Ronald R. Hein
William F. Ebert
Stephen P. Weir

SENATE TRANSPORTATION AND UTILITIES COMMITTEE
TESTIMONY RE: SB 799
Presented by Ronald R. Hein
on behalf of Mesa
February 23, 1994

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 gas producers and currently has approximately 60% of its natural gas reserves in the state of Kansas.

Over the past few years, much has been written and said about the economic impact that the natural gas industry has upon Kansas, and an equal amount of time has been spent discussing the negative impact that Kansas' tax policy has had upon this important industry.

The greatest burden facing the gas industry right now is the combined severance tax and property tax burden. That tax burden currently is about 19% of gross receipts on Mesa. That is the greatest disincentive currently to natural gas production, exploration, and investment in Kansas. The severance tax issue and the proposed changes on natural gas regulatory controls on production currently before the KCC continue to be the most pressing issues to Mesa.

However, another issue involving natural gas at the national level requires Kansas' attention. That issue involves natural gas vehicles (NGVs) and natural gas as a transportation fuel.

Kansas is one of the five largest natural gas producing states in the country, and the Hugoton Field is one of the largest natural gas fields in the world.

Natural gas is a cheap, abundantly available, domestic fuel which is clean-burning, safer, and better for our environment than other fossil fuels. As America turns away from it's reliance on expensive, foreign oil, cheap domestic natural gas will be the obvious alternative. And Kansas will be a winner.

At the national level, the Clean Air Act (CAA) of 1990 and the Energy Policy Act of 1992 (EPACT) has prompted increased awareness of the value of natural gas as a transportation fuel.

ATTACHMENT 2

Sen. Trans. 2/23/94 2-1

As a large producer of natural gas, and as a proud supporter of a clean environment, Kansas should be on the cutting edge of state policy with regards to natural gas and other alternative fuels.

Alternative fueled vehicles (AFV's) will first be utilized by fleet operators. Mesa believes the most feasible and logistically realistic alternative fuel is natural gas. Mesa also believes that, as fleets convert to natural gas, the infrastructure of the distribution of natural gas will develop and individuals will begin utilizing this clean-burning fuel.

Several states with EPA designated non-attainment cities are under tremendous pressure to clean up their environment, and as such are taking significant actions to encourage the development of natural gas vehicles. Approximately 50-60% of air pollution is tailpipe emissions. These states are looking at income tax credits for conversion equipment; low interest loans to cities, counties, and school districts to convert their vehicles; exemption of natural gas fuels from fuels tax; and numerous other programs to encourage business and government to convert to natural gas vehicles.

The Kansas City area has been a non-attainment area, and is just now barely within the attainment level. Their need to eliminate air pollution, predominantly motor vehicle emissions, is one of the major reasons why this type of legislation is extremely important.

All taxpayers of the state benefit by some of the vehicles converting to natural gas, as the air will be cleaner, and the ability to comply with federal legislation, and thus avoiding penalties against business and industry will be accomplished.

EPACT builds on the CAA. It requires federal, state, gas industry, and eventually some commercial fleets to purchase a statutorily mandated percentage of AFVs.

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.

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.

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 have not ruptured in studies where they have been exposed to fire, crashes, and a 44 caliber armor piercing bullet.

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.

SB 799 establishes a program for encouraging alternative fueled vehicles.

Section 1 of the bill establishes an ad hoc commission charged with the responsibility, basically, of developing an alternative fuel program for the State of Kansas. This commission would be abolished on July 1, 1996, and should not require any significant fiscal note because the participants are salaried state employees.

Section 2, due to my mistake, needs some amendments to accomplish what it was designed to accomplish, and I have some proposed balloon amendments to deal with that matter and some other issues in the bill. Through my error in reviewing the Energy Policy Act, Section 2 was to have accelerated the mandate on state acquisitions by two years. However, EPAC requires that any state fleet acquisitions be as follows:

% OF MOTOR VEHICLES ACQUIRED	MODEL YEAR
10%	1996
15%	1997
25%	1998
50%	1999
75%	2000 and thereafter

Under federal law, only fleets of twenty or more vehicles in SMSA's with 250,000 population in 1980 are covered. According to our understanding, that means that state vehicle fleets of twenty or more in Wichita and the Kansas City metropolitan area would be covered by EPACT but not the fleet in Topeka. The balloon amendments would require the state fleet in Topeka to be subject to the same mandates as the EPACT.

Section 3 was taken directly from some model legislation at the national level, and is not necessary to the legislation. You may hear testimony from other groups who object to its inclusion in the bill, and since it is unnecessary, I have suggested in the balloon amendments that the entire section be stricken.

Sections 4-7 provide for a loan program administered by the state, which loans would be made only to other governmental entities for the purpose of providing up-front money for conversions, and for such monies to be repaid by the local unit under the terms of the loan.

The act provides that the amount of money available for such loan programs shall not exceed $1 million. I assume that amount would be rebooked as an account receivable or non-cash asset, and would not constitute an expense of the state. If there is to be any fiscal note, I assume it is associated with the administration of the loan program, and, once again, it would be my hope that that would not be a significant amount. I would also hope that the loan program would be set up in such a way that the state would make at least the amount that it is making on idle funds investment currently, and possibly more to cover the cost of administration.

Section 8 provides for an income tax credit for expenses of conversions of vehicles or the incremental cost of conversion equipment on new manufactured vehicles. These credits are in an amount that the fiscal note should be exceedingly low, especially because many if not most of the conversions would be by tax exempt entities. If the committee is concerned about possible fiscal costs, we would have no problem with a one or two year sunset, to permit the Department of Revenue to determine the actual fiscal note without committing the state through 1998.

SB 799 will help provide a cleaner environment, while benefiting the State of Kansas, a major natural gas producer, at minimal cost. On behalf of Mesa, I urge your support for SB 799.

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

CNG

CONSOLIDATED
NATURAL GAS
COMPANY

CNG Tower
Pittsburgh, PA 15222-3199

Fact Sheet

Energy Policy Act of 1992: Alternative Fuel Vehicles (AFVs)

Introduction

On October 24, 1992, President Bush signed the Energy Policy Act of 1992. This new law is designed, in part, to reduce the nation's dependence on foreign oil imports by encouraging the use of domestically produced fuels. As such, the Energy Policy Act contains both mandates and incentives for the use of alternate fuels in vehicles.

Alternative Fuels

Under the Energy Policy Act of 1992, "alternative" fuels include the following:

Methanol
Ethanol
Natural Gas
Propane
Hydrogen
Coal-derived Liquids
Biological Materials
Electricity

The Act also includes any other fuel that the Secretary of Energy finds to be substantially not petroleum and which would yield substantial energy security benefits and substantial environmental benefits.

Fleet Requirements

The Energy Policy Act requires federal fleets to begin purchasing alternative fuel vehicles (AFVs) in fiscal year 1993. The Act requires state fleets and alternate fuel providers to begin purchasing AFVs in model year 1996. And the new law may require private and municipal fleets to acquire AFVs, starting as early as model year 1999. The following table summarizes the annual purchase requirements for federal and state fleets, alternate fuel providers, and private and municipal fleets.

Table 1.

ALTERNATIVE FUEL VEHICLES
NEW FLEET LIGHT DUTY VEHICLE
PURCHASES

Year	Federal	State	Fuel Providers	Private*
1993	5,000	-	-	-
1994	7,500	-	-	-
1995	10,000	-	-	-
1996	25%	10%	30%	-
1997	33%	15%	50%	-
1998	50%	25%	70%	-
1999	75%	50%	90%	20%
2000	75%	75%	90%	20%
2001	75%	75%	90%	20%
2002	75%	75%	90%	30%
2003	75%	75%	90%	40%
2004	75%	75%	90%	50%
2005	75%	75%	90%	60%
2006 on	75%	75%	90%	70%

*Under the early rulemaking scenario

These percentages generally apply to small vehicles in large fleets operating in large cities. Covered vehicles are those up to 8,500 pounds gross vehicle weight, which include passenger cars, pickup trucks and vans. Fleets have to have at least 20 vehicles which are centrally fueled, and the fleet owner must have at least 50 vehicles nation-wide. And the affected areas are those with a 1980 population of at least 250,000.

For non-governmental fleets, the penalties for violation start at $5,000 and increase to $50,000 for repeat violations.

SEN. TRANS 2/23/94 25

Other Provisions

Other provisions of the Act which will encourage the use of alternative fuels include:

- Up to \$30 million/year to assist in the purchase of alternate fuel transit buses and school buses.
- \$25 million/year for low-interest loans for the purchase of AFVs.
- State and local incentive programs, including \$10 million/year to assist states in acquiring AFVs.
- Exemption for Vehicular Natural Gas, or "VNG," from certain federal and state regulations, allowing non-utilities to participate without becoming regulated.
- Pipeline recovery of Gas Research Institute costs associated with natural gas vehicle research and development.
- Certification of training programs for alternate fuel vehicle technicians.
- Public information program.
- Electric vehicle research and development.

Clean Air Act Amendments of 1990

How do the fleet requirements of the Energy Policy Act compare with those of the Clean Air Act Amendments of 1990? First, the Clean Air Act affected fleets in 21 urban areas, while the Energy Policy Act will affect fleets in 125 metropolitan areas.

Second, the Clean Air Act included reformulated gasoline and "clean" diesel as alternative fuels. But the Energy Policy Act requires alternative fuels to be "substantially not petroleum," so in the additional cities, reformulated gasoline and clean diesel won't qualify. (Under the new law, DOE is authorized to allow private fleets in the 21 Clean Air Act cities to use reformulated gasoline.)

Third, both laws provide "credits" for those who buy more AFVs than required or who purchase them earlier than required.

Under both laws, the following vehicles are exempt: rental cars, vehicles held by dealers for sale or demonstration, manufacturer test vehicles, law enforcement and emergency vehicles, military vehicles which are exempted for national security reasons, non-road vehicles, and those which are garaged at personal residences.

Under both laws, a study will be made of non-road vehicles, such as airport ground support equipment and marine vessels. In the case of the Clean Air Act, the study is to determine whether the use of alternative fuels in these non-road engines would reduce pollution, while the Energy Policy Act study will determine whether the use of alternative fuels in non-road vehicles would reduce our dependence on foreign energy sources.

Conclusion

Natural gas vehicles (NGVs) fulfill the objectives of both laws. NGVs have lower emissions, as required by the Clean Air Act, and natural gas is domestically produced, as required by the Energy Policy Act.

Alternate Fuel Providers

Table 1 shows the requirements for alternate fuel providers, which include natural gas and electric utilities. Starting with model year 1996, 30% of new light duty vehicles must be AFVs, increasing to 90% in 1999. These vehicles must be operated exclusively on alternative fuels unless the appropriate fuel is not available. If these fuel providers have more than one affiliate, division or business unit, only those which are engaged in the alternative fuels business are included.

The Secretary of Energy has discretion to extend the schedule and to reduce the purchase requirements to as low as 20%. Electric utilities have the option of waiting until 1998 if they plan to use electric vehicles. And a fleet may be exempted from this requirement if it can demonstrate that the alternate fuels and/or vehicles are not available.

Private and Municipal Fleets

Under the Act, the Secretary has two opportunities to justify a mandate for private fleets, as shown in Table 2. If a rulemaking is issued by December 15, 1996, then the percentages in the middle column will apply. If a rulemaking is not issued until January 1, 2000, then the percentages in the right hand column apply. And if no rulemaking is issued by the latter date, there will be no private fleet mandate.

Table 2.

PRIVATE AND MUNICIPAL FLEETS NEW LIGHT DUTY VEHICLES

Model Year	By 12/15/96	By 1/1/00
1999	20%	-
2000	20%	-
2001	20%	-
2002	30%	20%
2003	40%	40%
2004	50%	60%
2005	60%	70%
2005 on	70%	70%

In order to issue one of these rulemakings, the Secretary must find that the program is necessary, practicable and achievable; and that adequate alternative fuels, infrastructure and vehicles will be available. The Secretary also has discretion to delay the deadlines and/or reduce the percentage requirements.

Tax Incentives

The following table shows the amount of tax deductions for AFVs. They include $2,000 to $50,000 for the vehicle (depending on size) and up to $100,000 for the fueling station. These tax deductions apply to property placed in service after June 30, 1993. The vehicle deductions apply to the incremental cost of an AFV over its gasoline counterpart, including either factory-made vehicles or after-market conversions. The facility deduction applies to each fueling station installed by a taxpayer at a single location.

Table 3.

ALTERNATIVE FUEL VEHICLES MAXIMUM TAX DEDUCTIONS

Vehicle (up to 10,000 lbs. gvw)	*$ 2,000*
Vehicle (10,001 to 26,000 lbs. gvw)	*$ 5,000*
Truck or Van (over 26,000 lbs. gvw)	*$ 50,000*
Bus (Seating capacity of 20 or more adults)	*$ 50,000*
Alternative Fuel Refueling Facility	*$100,000*

In addition, electric vehicles qualify for a 10% tax credit, up to $4,000 per vehicle.

SEN. TRANS 2/23/94 27

Metropolitan Areas with 1980 Population of 250,000 or More

Albany-Schenectady-Troy, NY
Albuquerque, NM
Allentown-Bethlehem-Easton, PA-NJ
Appleton-Oshkosh-Neenah, WI
Atlanta, GA
Atlantic City, NJ
Augusta, GA-SC
Austin, TX
Bakersfield, CA
Baltimore, MD
Baton Rouge, LA
Beaumont-Port Arthur, TX
Binghamton, NY
Birmingham, AL
Boston-Lawrence-Salem, MA-NH
Buffalo-Niagara Falls, NY
Canton, OH
Charleston, SC
Charleston, WV
Charlotte-Gastonia-Rock Hill, NC-SC
Chattanooga, TN-GA
Chicago-Gary-Lake County, IL-IN-WI
Cincinnati-Hamilton, OH-KY-IN
Cleveland-Akron-Lorain, OH
Colorado Springs, CO
Columbia, SC
Columbus, OH
Corpus Cristi, TX
Dallas-Fort Worth, TX
Davenport-Rock Island-Moline, IA-IL
Dayton-Springfield, OH
Daytona Beach, FL
Denver-Boulder, CO
Des Moines, IA
Detroit-Ann Arbor, MI
Duluth, MN-WI
El Paso, TX
Erie, PA
Eugene-Springfield, OR
Evansville, IN-KY
Flint, MI
Fort Wayne, IN
Fresno, CA
Grand Rapids, MI
Greensboro-Winston Salem-High Point, NC
Greenville-Spartanburg, SC
Harrisburg-Lebanon-Carlisle, PA
Hartford-New Britain-Middletown, CT
Honolulu, HI
Houston-Galveston-Brazoria, TX
Huntington-Ashland, WV-KY-OH
Indianapolis, IN
Jackson, MS
Jacksonville, FL
Johnson City-Kingsport-Bristol, TN-VA
Johnstown, PA
Kansas City, MO-KS
Knoxville, TN
Lakeland-Winter Haven, FL
Lancaster, PA
Lansing-East Lansing, MI
Las Vegas, NV
Lexington-Fayette, KY
Little Rock-North Little Rock, AR
Los Angeles-Anaheim-Riverside, CA
Louisville, KY-IN
Macon-Warner Robins, GA
Madison, WI
McAllen-Edinburg-Mission, TX
Melbourne-Titusville-Palm Bay, FL
Memphis, TN-AR-MS
Miami-Fort Lauderdale, FL
Milwaukee-Racine, WI
Minneapolis-St. Paul, MN-WI
Mobile, AL
Modesto, CA
Montgomery, AL
Nashville, TN
New Haven-Meriden, CT
New London-Norwich, CT-RI
New Orleans, LA
New York-N. New Jersey-Long Island, NY-NJ-CT
Norfolk-Virginia Beach-Newport News, VA
Oklahoma City, OK
Omaha, NE-IA
Orlando, FL
Pensacola, FL
Peoria, IL
Philadelphia-Wilmington-Trenton, PA-NJ-DE-MD
Phoenix, AZ
Pittsburgh-Beaver Valley, PA
Portland-Vancouver, OR-WA
Providence-Pawtucket-Fall River, RI-MA
Raleigh-Durham, NC
Reading, PA
Richmond-Petersburg, VA
Rochester, NY
Rockford, IL
Sacramento, CA
Saginaw-Bay City-Midland, MI
Saint Louis, MO-IL
Salinas-Seaside-Monterey, CA
Salt Lake City-Ogden, UT
San Antonio, TX
San Diego, CA
San Francisco-Oakland-San Jose, CA
Santa Barbara-Santa Maria-Lompoc, CA
Scranton-Wilkes-Barre, PA
Seattle-Tacoma, WA
Shreveport, LA
Spokane, WA
Springfield, MA
Stockton, CA
Syracuse, NY
Tampa-St. Petersburg-Clearwater, FL
Toledo, OH
Tucson, AZ
Tulsa, OK
Utica-Rome, NY
Washington, DC-MD-VA
West Palm Beach-Boca Raton-Delray Beach, FL
Wichita, KS
Worcester, MA
York, PA
Youngstown-Warren, OH

STATE OF KANSAS

KANSAS DEPARTMENT OF TRANSPORTATION
Docking State Office Building
Topeka 66612-1568
(913) 296-3566
FAX - (913) 296-1095

Michael L. Johnston
Secretary of Transportation

Joan Finney
Governor of Kansas

Testimony before the
Senate Transportation and Utilities Committee

Regarding S.B. 799:
State Agencies' Purchase of Alternatively Fueled Vehicles

February 23, 1994

Mr. Chairman and Members of the Committee:

I appreciate the opportunity to appear before you today to testify on behalf of the Kansas Department of Transportation in regard to S.B. 799. This bill would establish a Commission on Motor Vehicles Alternative Fuel Program which would set a timetable for the conversion of state agencies' motor vehicles to alternative fuels and develop policies in a number of related areas.

The Department of Transportation recognizes the importance of alternative fuels, and would like to note that this bill, as proposed, would have no appreciable effect on highway revenues. The income tax credit provided is of interminant size and does not directly affect the Department's revenues. However, the bill does raise several policy questions.

Specific concerns about the bill include the timetable provided for the mandated new vehicle purchases and the amount and type of vehicles included. The current federal legislation, as it appears to apply to states, is for light vehicles only, and the requirement appears to be applied at the state level. This statute would place the purchase requirement at the agency level; it also appears to apply to all types of motor vehicles including off-road equipment. As detailed in the attached chart, the differences between the two pieces of legislation would make it necessary for state agencies to comply with two differing sets of guidelines and would increase the cost of conversion.

A second concern about the inclusion of off-road equipment in S.B. 799 is that the technology for the conversion of medium and heavy duty diesel engines to compressed natural gas is still under development and has not yet proved to be

ATTACHMENT 3

SEN TRANS 2/23/94 3-1

very reliable. In addition, because the conversion technology requires the burning of a percentage of diesel fuel along with the compressed natural gas, its use would not be strictly permissible under this bill.

A final concern with S.B. 799 is that the loan provisions appear to require governmental units (state agencies, school districts, etc.) to establish refueling facilities which would sell fuel to other government alternative fuel fleets and public alternative fuel vehicle operators. This function could be difficult for state agencies to manage, and would seem to restrict the development of alternative refueling stations in the private sector.

ESTIMATED COST OF CONVERTING KDOT VEHICLES TO ALTERNATIVE FUELS

	# on hand Total	Replace Crit. (Yr.)	#Replaced each year	Conversion Cost/vehicle	Conv. Cost Base Yr. '94
Light Vehicles					
CARS	250	8	31	3,000	93,000
SUBURBANS	82	8	10	3,000	30,000
CONST. PICKUPS	329	8	41	3,000	123,000
MAINT. PICKUPS	280	9	31	3,000	93,000
VANS	50	8	6	3,000	18,000
					$357,000
Heavy Vehicles					
TRUCKS	600	11	54	11,000	594,000
LOADERS	300	15	20	11,000	220,000
GRADERS	205	15	14	11,000	154,000
ROLLERS	200	20	10	3,000	30,000
SWEEPERS	27	15	2	3,000	6,000
TRACTORS	408	15	27	3,000	81,000
TRACTOR TK	15	11	1	13,000	13,000
					$1,098,000

	Cost of S.B. 799				Cost of Fed. Req.		Incremental
Year	Req'd % Conv. (1)	Light Veh. Cost	Heavy Veh. Cost	Total Cost	Req'd % Conv.(2)	Light Veh. Cost	Cost of S.B. 799
1996	0	0	0	0	10	38,613	0
1997	20	80,314	247,020	327,334	15	60,236	267,098
1998	20	83,528	256,902	340,430	25	104,410	256,902
1999	20	86,868	267,178	354,046	50	217,170	267,178
2000	30	135,516	416,796	552,312	75	338,790	416,796
2001	40	187,916	577,960	765,876	75	352,343	577,960
2002	50	244,290	751,345	995,635	75	366,435	751,345
2003	60	304,872	937,680	1,242,552	75	381,090	937,680
2004	70	369,915	1,137,717	1,507,632	75	396,338	1,137,717
Total		$1,493,219	$4,592,598	$6,085,817		$2,216,812	$4,612,676

(1) Percent of all vehicles required to use alternative fuel
(2) Percent of light vehicles only required to use alternative fuel

Assumed rate of inflation: 4%

Office of Management and Budget
February 22, 1994

SEN. TRANS. 2/23/94 **3-3**

KANSAS OIL MARKETERS ASSOCIATION

Convenience Store Association of Kansas

Testimony on Senate Bill 799
Submitted by the Kansas Oil Marketers Association
To the Senate Committee on Transportation and Utilities

February 23, 1994

Chairman Vidricksen and members of the Committee, thank you for the opportunity to appear before you today concerning SB799. I am Steve Kearney representing the Kansas Oil Marketers Association.

There are several concerns we wish to bring to your attention following our review of the bill. First, in Section 1, the proposed Commission omits any industry representation unless "invited" by the Commission. We recommend that the Commission be restructured to include industry experts.

Second, we understand that Section 2 accelerates the Federal mandates which is a serious policy question for you as policy makers.

The language in Section 3 is very disturbing to an industry that has been innovative and progressive in air quality matters. In fact Kansas is in attainment with the Clean Air Act requirements. We request Section 3 be stricken.

We would ask this committee to take a careful look at the tax portions of this bill. Development of alternative fuels is an evolving process. Many economic, as well as environmental, questions remain to be resolved in this fast-growing area. Should incentives be provided before the costs and benefits are known?

We respectfully ask your committee to give serious consideration to not adopting legislation of this type.

P.O. Box 8479
Topeka, Kansas 66608-0479

Suite 320 • 201 NW Highway 24

(913) 233-9655
FAX (913) 354-4374

ATTACHMENT 4

SEN. TRANS. 2/23/94 4-1

KANSAS SOYBEAN ASSOCIATION
P.O. BOX 750285
TOPEKA, KS 66675-0285
PHONE (913) 271-1030

STATEMENT BY
JIM BLAAUW

CONCERNING SENATE BILL 799

WEDNESDAY, FEBRUARY 23, 1994

SENATE TRANSPORTATION AND UTILITIES COMMITTEE
SENATOR BEN VIDRICKSEN, CHAIRMAN

Mr. Chairman and Members of the Committee thank you for allowing me to visit with you today on Senate Bill 799. I am Jim Blaauw, Executive Director of the Kansas Soybean Association.

You may wonder why a representative of the soybean industry of Kansas is here to visit with you regarding Alternative Fuels. The soybean industry and more specifically soybean farmers have been investing in the development of Biodiesel. Biodiesel is an alternative diesel fuel made from a number of sources but primarily soybean oil. Biodiesel is used in diesel engines in blended form with no modifications to the engine Biodiesel is clean burning, renewable, and grown each year in Kansas. Biodiesel does meet the requirements of federal clean air legislation. Also, the only commercial production facility in the United States for Biodiesel is located in Kansas.

I am excited about the loan program and income tax credits proposed in Senate Bill 799. These incentives would help to encourage the uses of clean burning alternative fuels in Kansas.

I do have some concerns of Senate Bill 799 in its present form. These concerns include the establishment of a "commission on motor vehicle alternative fuel program". Currently there is an Alternative Fuels Division within in the Kansas Corporation Commission. This group is extremely active throughout the state. We have worked very closely with this group in a variety of activities where we were able to educate and promote the use of Biodiesel to a number of different audiences. I believe that this division would be more suited to handle the program outlined in this Bill rather than the establishment of an new commission. I would add that if you do choose to establish a commission, you need to include the Secretary of Agriculture. The Kansas Department of Agriculture has been very active in the alternative fuels field for many years.

ATTACHMENT 5

SEN TRANS 2/23/94 5-1

I also have a concern about what Senate Bill 799 describes as an alternative fuel. This list does not include Biodiesel or ethanol which is another agriculturally derived alternative fuel. I feel strongly that you need to include at least these two alternative fuels.

There is an active alternative motor fuel movement in Kansas. We have been involved in a number of these activities in the past and are currently in the planning stages of a number of other activities. These activities along with Senate Bill 799, with the changes I have outlined, will help promote the use of clean burning, renewable fuels in Kansas. Alternative Fuels help the environment and the economy of Kansas.

Thank you for allowing me this opportunity to visit with you and for your consideration of this extremely important program.

PMAK

Propane Marketers Association of Kansas

STATEMENT
BY
LEE EISENHAUER

Concerning Senate Bill 799

Presented Wednesday, February 23, 1994
to the
Senate Transportation and Utilities Committee
Senator Ben Vidricksen, Chairman

Mr. Chairman and Members of the Committee:

I am Lee Eisenhauer, executive vice-president of the Propane Marketers Association of Kansas. Thank you for allowing me this time to comment on Senate Bill 799.

As I've stated during this committee's previous hearings regarding possible incentives for the use of alternative motor fuel, we certainly support such incentives to encourage improving our environment, utilizing our natural resources and strengthening our economy.

The loan program and income tax credits proposed in Senate Bill 799 provide some incentives with financial help to encourage the use of clean-air fuels in Kansas, which we support.

We would, however, ask that the following amendments be made:

First, establishing a "commission on motor vehicle alternative fuel program" as proposed in Section 1 would be unnecessary and time-consuming. An alternative fuel program could be more timely developed and administered effectively through the Alternative Fuels Division of the Kansas Corporation Commission, as that Division is up to speed on activity in Kansas and the U.S.

Definitions of alternative fuels and fueling stations should follow those in the federal clean air act.

On page 7, line 11, the words "or diesel" should follow gasoline, to read "Equipment installed to modify a motor vehicle which is propelled by gasoline or diesel so that the vehicle may be propelled by an alternative fuel".

Under the classification of "Qualified alternative fuel motor vehicle property" (page 7), regarding refueling property (beginning on line 18), states that the property cannot be used to deliver fuel into any storage tank or receptacle where it is not used as motor vehicle fuel. We would ask that the provision be amended to include a facility capable of providing fuel for multiple uses, allowing the tax deduction for a percentage of the property based on the amount of motor fuel dispensed. Specifically, in the case of propane, a facility installed to provide motor fuel may, undoubtedly, be located to also provide consumers the availability of propane for a number of additional uses, such as RV's, barbeque grill cylinders and commercial use.

Lastly, line 29 sets the provisions of this act to apply to all taxable years commencing after December 31, 1994. If property placed in service on January 1, 1994 is to be included, as set forth on page 6, shouldn't this read after December 31, 1993?

Thank you again for allowing me this time, and for your consideration of a program very important to Kansas and Kansans.

Kansas Grain Sorghum Producers

Kansas Corn Growers ASSOCIATION

Testimony Before The
Senate Transportation Committee
February 23, 1994

Senate Bill # 799

Jere White
Executive Director
Kansas Corn Growers Association
Kansas Grain Sorghum Producers

Mr. Chairman, members of the committee, my name is Jere White. I serve as the Executive Director of the Kansas Corn Growers Association and the Kansas Grain Sorghum Producers, and live in Garnett, where there are four alternative fueled vehicles that are recognized as such by Federal government agencies, but would not be under Senate Bill 799. While any effort to stimulate the use of alternative fuels and to help create an expanded infrastructure would normally meet our wholehearted approval, this bill, as written, falls way short. Unfortunately, under SB-799, the State would be sending a strong message that when Kansas talks alternative fuels, they mean only those from petroleum. The alternative fuel used in Garnett that I referred to earlier is E-85, a blend of 85% ethanol and 15% unleaded gasoline. Recognized by Federal agencies, SB-799 excludes any reference to this

P.O. BOX 446, GARNETT, KS 66032-0446 • PHONE: (913) 448-6922 • FAX: (913) 448-6120

renewable fuel. Likewise SB-799 fails to provide recognition for other fuels being developed with Kansas resources. Biodiesel, made with soybean oil and/or beef tallow will no doubt continue it's expansion. The position of limiting the type of fuel to those listed in Senate Bill-799 would be unfortunate in any state, but in Kansas it would be a tragedy.

Kansas has four ethanol plants that will produce over thirty million gallons of ethanol in 1994. Over sixty million gallons of imported oil can stay overseas due to Kansas ethanol production. And a little more of our money can stay home. Kansas is also home of the only Biodiesel production facility in the United States. And, yes, Kansas has an abundance of natural gas, propane, and electricity. My point is, that all fuels should be included, as well as any new fuels that might develop in the future. There is no sound reason for the State of Kansas to define alternative fuels in a way that contradicts the clear intent of Congress, the US Department of Energy, and the US Environmental Protection Agency.

The creation of a new commission for promotion of alternative fuels would seem reasonable. However, the State of Kansas already has in place an Alternative Fuels Program within the structure of the Kansas Corporation Commission.

While not utilizing a separate alternative fuels commission structure, the program has sought and received the participation of all fuel groups that are defined by the Federal government as alternative. In addition, other developing fuels are brought in. All work together, all are included, and all have benefitted from this process. In addition, the private sector participants spend hundreds of hours and thousands of dollars while working on these issues. These are monies from our budgets, not the State of Kansas. The results of this public-private sector working group include educational meetings for fleet operators, alternative fueled vehicle round-ups and displays, and maybe one of the most important aspects, the realization that the success or failure of alternative fuels in this country, and here in Kansas, will not come at the hands of government quotas or mandates. Even strong financial incentives, will not, in and of themselves guarantee success. Only when the concept of alternative fuels in general is advanced, can any or all of the fuel sources enjoy success. If the State of Kansas would like to be more supportive of this advancement, we invite increased participation. The proposed six member commission would likely slow the process down, however, not speed it up. The needed work in alternative fuels will go on long after the July 1, 1996 abolition date noted in SB-799.

The issues related to tax incentives and loan funds might be of value to promote the needed infrastructure. As stated before, all alternative fuels should be included. It should also be noted that the development of infrastructure that serves only government vehicles would not seem very efficient. While the statute somewhat addresses this issue, it remains a concern.

I am also distributing some materials related to our work in the Kansas alternative fuels area, for your review. There might be a revised version of SB-799 that we could support. As written, we must stand in opposition.

Thank you.

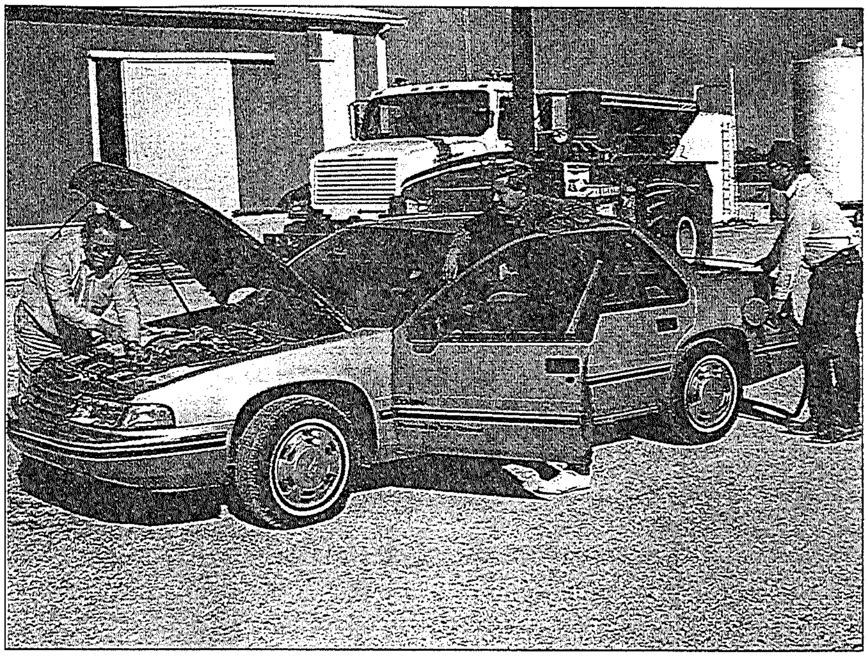
Renewable fuel from Kansas farms

Alternative fueled vehicles, powered with an 85 percent ethanol blend, are put to the test in Kansas.

BY HANK ERNST

Kansas corn and grain sorghum producers can bank on potential future profits each time a rental car leaves Beckman Motors in Garnett. Or, at the least, a consumer with an open mind to grain-based 85 percent ethanol fuel or the commercially available 10 percent ethanol blend. E-85 fuel is a blend of 85 percent ethanol and 15 percent unleaded gasoline.

For the past four months, farmers, school teachers, businessmen and preachers, have rented the E-85 fueled vehicles while their cars were in for repair. They couldn't beat the deal. Their rental charge included free 85 percent ethanol fuel. If a driver's travels were outside the Garnett area, the multi-fuel vehicle could be fueled with unleaded gasoline. In exchange for the free fuel, they answered a questionnaire.



Fill 'er up with ethanol--an 85 percent blend that is. Dave Lybarger, Lybarger Oil, Garnett, tops the tank and Jere White, Kansas Corn Growers and Kansas Grain Sorghum Producers Assns., services the engine of the 1993 VFV Lumina rented out by Ray Beckman of Beckman Motors. The 1993 Lumina is the first general distribution ethanol vehicle manufactured in the United States. It runs on a blend of up to 85 percent ethanol. A sensor in the fuel line determines the fuel mixture in use and a computer adjusts the injector fuel flows and spark timing.

On a five-point scale, five being the highest, the drivers rated ethanol's performance above 4.5 on all counts—overall performance, general engine power, smoothness in running, ease in starting when cold, starting after warm-up and acceleration. All would recommend a similar vehicle to someone wishing to buy an alternative fueled vehicle. Fuel mileage is less with ethanol than unleaded gasoline due to a third fewer BTUs (British Thermal Units) of energy per gallon. However, that wasn't an issue for the test drivers.

The ethanol program is one facet of the Kansas BioFuels Project aimed at testing and demonstrating use of ethanol made from corn or grain sorghum and bio-diesel made from soybean oil and animal fat. Kansas grain sorghum and corn growers support the project through their checkoff dollars and through membership in the Kansas Corn Growers and the Kansas Grain Sorghum Producers Associations. Other partners in the E-85 Project are Beckman Motors and Lybarger Oil Co. of Garnett; Midwest Grain Products, Atchison; Kansas Ethanol Assn., Kansas Corporation Commission and the Kansas State Board of Agriculture, Topeka.

To Jere White, executive director of the Kansas Corn Growers and Kansas Grain Sorghum Producers Associations, the message is clear: "Ethanol is a viable alternative fuel. If it can power a car at an 85 percent ethanol blend, then it can effectively be used in the commercially available 10 percent blend. It also has a place in the oxyfuel market or reformulated gas market."

The importance of ethanol is its ability to reduce carbon monoxide emissions by as much as 30 percent. It also has a lower REID vapor pressure. The lower the vapor pressure, the lower the tendency for the fuel to volatilize, or turn to vapor and enter the atmosphere.

"EPA now says that 50 percent of the mobile air pollution doesn't come from the tail pipe, but from evaporation and volatilization," says White. "It's the lower vapor pressure of alcohol that makes it attractive in the alternative fuel market."

"If ethanol production would double in the United States, it would be worth $100 million annually to Kansas corn and grain sorghum farmers," White says. That's figuring a 25-cent higher price per bushel because of increased ethanol production.

In Kansas, the number of stations providing the ten percent ethanol blend has increased from 100 three years ago to about 400 today.

Ethanol production in Kansas tallied 27 million gallons in 1992 at the state's four ethanol plants—Reeve AgriEnergy, Garden City; High Plains Corporation, Colwich; Midwest Grain Products, Atchison and ESE Alcohol, Leoti. In-state production is encouraged via the ethanol tax incentive initiated in 1987. As ethanol production increases, the amount of the tax incentive decreases. In 1987, the incentive was 20 cents a gallon and production was 11 million gallons. The incentive level was lowered to a level of 9 cents in 1992 when production increased.

All concerned are pleased with the initial results of the E-85 project. When the Luminas are removed from the rental program, expectations are to sell them to drivers who will continue to provide performance and drivability records. ❑

SEN. TRANS. 2/23/94 7-5

Joan Finney, Governor of Kansas
Phillip A. Fishburn, Acting Secretary of Agriculture
Donald L. Jacka, Assistant Secretary of Agriculture

901 S. Kansas Ave.,
Topeka, KS 66612

WRITTEN TESTIMONY FOR SENATE BILL NO. 799

SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES

SUBMITTED BY SECRETARY PHILLIP A. FISHBURN

KANSAS DEPARTMENT OF AGRICULTURE

FEBRUARY 23, 1994

Chairman Vidricksen and Members of the Committee:

I would like to submit the following written testimony for your information concerning Senate Bill No. 799.

The Kansas Department of Agriculture, various agriculture groups, and other interested parties and cooperators have actively been involved for several years with the study and promotion of agriculturally-derived alternative fuels. In so doing, these groups have regularly participated with the Governor, the Kansas Corporation Commission, and its Alternative Fuels Working Group which has facilitated numerous opportunities during the past several years for all alternative fuels to participate in education and promotion to the public.

Additionally, as a result of a legislative appropriation of federal Oil Overcharge funds in FY 93, this department is currently administering the Kansas Biofuels Project. As part of this project, both ethanol and biodiesel vehicles have been added to the state fleet and are currently being used by state employees for travel throughout the state. Also, several cooperators are utilizing four ethanol-powered automobiles and numerous biodiesel-powered city and school buses. I am sure you would understand that with Kansas' substantial agricultural base, there is a keen interest in the marketing and use of these agriculturally-derived alternative fuels. I have attached promotional brochures from this project for your review.

In terms of Senate Bill No. 799 specifically, I would identify the following issues that came to mind as I reviewed the bill:

1. For the past several years the KCC's Alternative Fuels Working Group has admirably, although not always easily, addressed promotion of all alternative fuels in the state. The new commission created by SB 799 has a significantly different composition than the experts comprising the working group. While I think inclusion of the identified commission members is a valuable addition, I

think there needs to be clarification of the relationship and possibly a merger between the two groups by expansion of the commission membership with the working group. Also, if the commission is created, I would urge inclusion of the Secretary of Agriculture along with the other identified executive department heads.

2. I understand that several of the definitions and provisions included in SB 799 are patterned after similar language in the federal Clean Air Act. If this is true, then I do not understand the alternative fuel definition which does not include ethanol as the federal provision does. Additionally, biodiesel is another participant in the alternative fuel arena and is likely to gain federal approval in the coming months. I would suggest that any state legislation be worded as to be no more restrictive than the corresponding federal provisions and I recommend specific inclusion of ethanol and biodiesel in the proposed state provision. Thus, new alternative fuels added at the federal level would also qualify for the state provisions.

I appreciate this committee's attention to the important issue of all alternative fuels in Kansas. I hope the information provided above is helpful as you consider this important legislation.

Kansas Petroleum Council

Testimony on Senate Bill 799
Submitted by the Kansas Petroleum Council
To the Senate Committee on Transportation and Utilities

February 24, 1994

Madam Chairman and members of the Committee, thank you for allowing me to testify this morning on Senate Bill 799.

I am Ken Peterson, executive director of the Kansas Petroleum Council, a trade association that includes Amoco, Texaco, Conoco, and Phillips. All of these companies are working to develop cleaner-burning fuels and deliver them to the public. Several are working on the production and marketing of natural gas and propane as motor vehicle fuels.

So my remarks today will not necessarily reflect opposition to this legislation, but I do hope to raise some questions you will consider before taking action on the bill as written. Most of my comments will parallel the remarks of witnesses who testified Wednesday.

First, we are pleased that the proponent of this legislation has agreed to delete Section Three, the legislative findings that are baseless in Kansas and ignore the great strides made in the development of new fuels, including reformulated blends, that are being introduced across the nation. The unfounded editorializing in Section Three has no place in Kansas law and we respectfully ask that the committee strike it from the bill.

I would like to point out a few concerns about this bill as written.

First, we would suggest that if a commission must be created, the official membership be expanded to include at least one industry expert on alternative fuels issues. The appointment of a cabinet-level commission with little working knowledge of alternative fuels would defeat the purpose of creating a comprehensive, practical and successful program.

This legislation also has some contradictions in that it establishes a commission to develop an overall alternative fuels program, then creates a revolving loan fund for vehicle purchases, and grants tax incentives for vehicle conversions and development of refueling stations. If the approach of the commission is to recommend specifics of a program, should details already be written into law?

The Kansas Petroleum Council would ask this committee to take a careful look at the tax portions of this bill. Development of alternative fuels is an evolving process. Many economic, as well as environmental, questions remain to be resolved in this fast-growing area. Should incentives be provided before the costs and benefits are known?

Alternative fuels have a place in the nation's energy picture. Government has an appropriate role in supporting research efforts to develop cleaner and more efficient energy sources.

We would respectfully ask this committee to take a careful look at the various pieces of this legislation. It contains policy decisions that have financial and practical applications for the state.

Thank you.

ATTACHMENT 9

(913) 234-0589 • FAX (913) [illegible] • SUITE 1005, MERCHANTS TOWER • 800 SW JACKSON ST. • TOPEKA, KANSAS 66612-1216

SEN. TRANS. 2/23/94 9-1

NATIONAL FUEL SYSTEMS, INC.
636 Adams St., Suite 202, Kansas City, Kansas 66105 Tel: 913-342-3700
Wats: 800-880-3. . 7
Fax: 913-342-1328

February 22, 1994

Senator Ben Vidricksen
State Capitol
Topeka, KS 66612

Dear Senator Vidricksen:

Congratulations on the Committee's work on Senate Bill 799 (an Act relating to motor vehicle fuels; concerning alternative fuels).

The SB 799, as drafted, will certainly provide economic and environmental benefit to our great state. The mandate and incentive mix delivers the needed drive to make the alternative fuels market develop today.

My company, National Fuel Systems, Inc., based in Kansas City, Kansas (we are a division of the Tri-State Tank and Garsite/TSR) is currently the State's leading alternative fuel supplier (natural gas and propane). National Fuel Systems installs the nations' leading certified equipment for vehicle conversions and fueling stations. Our nationally accredited equipment assures public safety and efficient vehicle performance. National Fuel Systems, Inc. is a new and growing company. We employ three Kansan's with contracting authority of another four. We currently have plans to expand our organization from three to 18 full-time employees by years' end.

Please feel free to call on me to discuss the technical, operating or financial merit of natural gas or propane vehicle use. I would be happy to assist the committee's efforts.

Again, congratulations on your fine work. I personally look forward to meeting you in the future.

Sincerely,

Todd Hall

Todd Hall
President

ATTACHMENT 10

SEN. TRANS. 2/23/94 10-1