

Testimony by Tom Horton, Government Affairs Manager
Waste Management of Michigan
48797 Alpha Dr. Suite 100
Wixom, MI
(248) 596 3519

Beginning January 1, 2017, per the 2015 Road Funding bills, gasoline and diesel taxes will increase to 26.3 cents per gallon. Surprisingly, trucks powered by compressed natural gas (CNG) will pay 29.62 cents per gallon (that's 12% higher than the tax on diesel fuel). HB 5572 seeks to correct that disparity which incorrectly suggests Michigan does not support or recognize the benefits of diesel powered trucks converting to a cleaner burning alternative fuel like natural gas.

To eliminate the 12% penalty, HB 5572 adds a conversion factor reflecting the fact that a gallon of diesel has 12% more energy than a gallon of gasoline. The proposed change does not give natural gas a tax advantage. It levels the playing field and makes the tax on diesel and natural gas the same by converting the energy content in a gallon of diesel to a volume of compressed natural gas with that same amount of energy. This compressed natural gas to diesel gallon equivalent is the factor needed to give compressed natural gas the same per gallon tax rate as diesel fuel. It is important to note, that the diesel gallon equivalent in HB5572 appeared in more than one 2015 fuel tax proposal but somehow was not included in the final version. This legislation corrects what I view as an unintended omission.

The proposed change will affect less than 500 trucks statewide owned by fleet operators. Their trucks operate only in Michigan and the owners are designated as "Alternative Fuel Commercial Users" because they have built natural gas fueling stations at their truck depots to fuel their trucks at night. These companies migrate to CNG powered trucks for fuel supply stability and CNG's lower greenhouse gas emissions within fleets that have historically been powered by diesel fuel.

While the environmental benefits are real, the pace of truck fleets transitioning to natural gas has slowed because the conversion is expensive and state energy policy, like the tax issue we are discussing today, can be an unintended barrier. Each natural gas powered truck costs \$30,000 to \$50,000 more than a diesel powered truck. An onsite compressed natural gas fueling station costs about \$1.7 million and it takes an additional \$500,000 to one million dollars to convert a truck maintenance facility to a safe natural gas working environment. Additional funds are required to train and certify mechanics as qualified natural gas technicians. A compressed natural gas facility, with twenty new trucks, is a ten-million-dollar investment. I hope you would agree, this is the type of private investment that benefits Michigan's environment and warrants fair tax treatment.

HB5572 will remove a tax-disincentive that discourages truck fleets from making the switch to a cleaner alternative fuel. Absent the amendment, Michigan would be the only state with a tax policy punishing truck fleets for shifting to a cleaner burning alternative fuel like natural gas, that provides a significant reduction in particle emissions and greenhouse gases. That is particularly important to the urban areas of our state that are a non-attainment area for sulphur dioxide and other pollutants.

Thank you for the opportunity to speak to you today in support of this legislation.