

**Comments from
NC Department of Transportation (NCDOT) and
Federal Highway Administration – NC Division (FHWA)
on Low Carbon Fuel Transportation Subcommittee Recommendations
to NC Energy Policy Council**

Recommendation #1: Clean Vehicles Trust Fund

The General Assembly should modify the state motor vehicle registration fee to a variable rate fee schedule (higher fees for lower miles per gallon/higher emission vehicles). The additional revenue generated by this change should be used to provide grant programs and incentive programs for reducing vehicle miles traveled and developing renewable fuels and alternative vehicles infrastructure.

NCDOT Comment: While NCDOT does not object to this recommendation, it should be noted that an increase to motor vehicle registration rates was identified as a source of revenue for the Mobility Fund in the Governor's budget last year.

To the extent that the information is available, we recommend that a study be conducted that correlates state statistics with income level, vehicle type and gas mileage. Our hypothesis is that alternative fueled vehicles are generally more expensive and purchased by middle/upper income entities. That means that lower income entities may purchase lower priced cars that do not get very good gas mileage; if the vehicle registration fee is modified as proposed, lower income entities would be subject to higher vehicle registration fees for lower miles per gallon and/or higher emission vehicles. This may result in a disproportional impact on lower income populations. This study could be conducted as part of Recommendation #5 below, but should be considered before Recommendation #1 is implemented.

Federal Highway Administration – NC Division Comment: The first goal discusses creating more options, better reliability in those options and greater connectivity among. Such as system will reduce congestion, protect the environment, stimulate the economic development, create new jobs and further the national interest.

The first recommendation discusses creating incentive programs to reduce vehicle miles travelled. I would recommend caution to creating programs to reduce VMT for two reasons. First, the growth/decline of VMT has a stronger empirical relationship to the growth/decline of the nation's gross domestic product (GDP) than the empirical relationships to the growth/decline of NOx and greenhouse gases. Second, while reducing the growth of VMT may be achievable while stimulating economic growth in urban areas, it probably would not help the rural areas of the State. Thus an incentive program to reduce VMT seems to be at odds with the "stimulating economic development" objective of the first goal.

The first recommendation also states that a larger number of counties in NC may be designated as non-attainment areas resulting from EPA's tightening the standards for ozone pollution. It further states that an adverse economic impact of such a designation would range from loss of federal funding for highway projects. Under current Federal highway funding programs the status of a county's air quality status does not affect NC's total Federal highway funding. NC did not lose highway funding when Charlotte's long-range plan expired. The non-attainment status means that an area will have to select a mix of projects that will demonstrate conformity to the State Implementation Plan before Federal funds could be used for construction.

Another issue to consider is the effect of raising fees without any of the fees going to revenue to maintain or operate the transportation facilities in NC, especially if that increase in fee would be implemented in a way that would reduce other NCDOT revenue streams.

As an alternative to offer, perhaps the additional revenue by the change could be used to make the existing system more efficient or increasing modal choices to move people more effectively within a given area.

Recommendation #2: “Greening” the State Motor Fleet

The Governor, the General Assembly and state agencies should establish and implement policies to make the state’s motor vehicle fleet a leader in renewable fuels and alternative vehicles by:

- extending the Petroleum Displacement Plan and setting a new reduction mandate by the year 2020;
- requiring that state purchasing contracts be exclusively E-10;
- requiring state agencies to implement policies that will encourage conservation, make expanded use of hybrid electric vehicles and more effectively utilize existing flex fuel vehicles; and
- establishing more North Carolina Department of Transportation renewable fueling sites.

NCDOT Comment: DOT and DOA have worked together to identify sites for the expansion for the provision of renewable fuels for the state’s fleets. It is important to point out that sufficient demand from state motor pool vehicles is needed to ensure turnover of the fuel, which can go bad if not turned over regularly. Therefore, strategic deployment with sufficient demand of renewable fuel is critical to the establishment of effective refueling sites.

As an update, NCDOT currently operates one E-85 fuel site in Greenville and has just completed the installation of four additional sites: in Hillsboro, Asheboro, Marion, and Charlotte. The only remaining task to make them operational is to tie the new dispensers into the fuel management system at each site; this should be completed by the middle of December. At some point shortly after that, there will be a public notice about the opening of these four additional sites by the Governor, the Secretary, and/or both. It should also be noted that the Department of Transportation and the other agencies fueling at our sites have been using E-10 exclusively for several years now.

As it relates to the Petroleum Displacement Plan and establishing a new reduction target, the Department cannot project the cost impact of such a decision until the target reduction is identified. The financial impact could be substantial and could negatively impact the Department’s operations and maintenance efforts.

In addition, it would be hard to measure the financial impact of establishing more renewable fuel sites until we know the number being proposed. Based on the four sites the department is in the process of bringing on line, a single E-85 site will cost approximately \$112,000 per site. In regard to compressed natural gas (CNG), each site would cost approximately \$500,000 per site.

If the proposal is looking at eventually having an E-85 site at all existing NCDOT fuel sites, the cost for E-85 alone would be approximately \$11,984,000. For CNG that figure would be approximately \$56,000,000. Unless every state-owned gasoline powered vehicle or truck were mandated to use every E-85 fuel site, the fuel would not be turned fast enough to avoid problems with fuel pumps and injectors on our equipment. With CNG, the vehicle conversion cost to use CNG would be approximately \$15,000 per truck or car.

Recommendation #3: Investing in Alternative Transportation Programs

The Governor and the General Assembly should continue to initiate and invest in state transportation programs focused on public transportation, developing renewable fuels and alternative vehicles infrastructure, emissions reductions and creating jobs focused on low carbon transportation options.

No comments.

Recommendation #4: Strengthening State Policies and Incentives

The General Assembly should establish policies and incentives that will make North Carolina a regional leader in the development of the renewable fuels and alternative vehicle markets, including initially:

- a 30% tax credit for refueling infrastructure;
- a production credit for biodiesel and ethanol production in state; and
- other tax policies as needed.

NCDOT Comment: We would recommend that a source of funding be identified for any tax credits offered for infrastructure and for production of alternative fuels.

Recommendation #5: Evaluating North Carolina's Alternative Transportation Future

The Energy Policy Council should fund an energy study, "North Carolina's Transportation Fueling Future: Energy Choices and Outcomes", focused on the transportation sector in North Carolina.

NCDOT Comment: Under Task 2, Item #3 (page 10), we recommend that the study consider that trends have shown that vehicle miles traveled increases as the population grows. In addition, when the economy is poor, the vehicle miles traveled decreases. The cause and effect of vehicle miles traveled and the economy should be analyzed and considered as part of any policy recommendation(s).