BILL ANALYSIS

S.B. 20
By: Williams
Energy Resources
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Currently, there is no state program aimed at replacing diesel burning heavy-duty vehicles with natural gas heavy-duty vehicles. Encouraging increased use of Texas-produced natural gas for transportation can offer many benefits, including increased economic benefits, job creation benefits, energy security benefits, and environmental benefits.

S.B. 20 seeks to encourage companies with on-road heavy-duty vehicles to either replace the vehicles with natural gas vehicles or repower the vehicles with natural gas engines by creating a natural gas vehicle grant program administered by the Texas Commission on Environmental Quality. The bill also provides grants for the construction of natural gas fueling facilities along the interstate highways connecting Houston, San Antonio, Dallas, and Fort Worth.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Texas Commission on Environmental Quality in SECTIONS 2 and 3 of this bill.

ANALYSIS

S.B. 20 reenacts and amends Section 386.252(a), Health and Safety Code, as amended by Chapters 1125 (H.B. 1796) and 1232 (S.B. 1759), Acts of the 81st Legislature, Regular Session, 2009, to require not less than 16 percent of the 87.5 percent of the money in the Texas emissions reductions plan fund required to be allocated for the diesel emissions reduction incentive program to be used for the natural gas vehicle rebate program and to authorize not more than four percent of the 87.5 percent of the money in the fund to be used to provide grants for natural gas fueling stations.

S.B. 20 amends the Health and Safety Code to require the Texas Commission on Environmental Quality (TCEQ) to establish and administer the Texas natural gas vehicle grant program to encourage an entity that has a heavy-duty motor vehicle to repower the vehicle with a natural gas engine or replace the vehicle with a natural gas vehicle. The bill requires TCEQ to provide grants under the program for eligible heavy-duty motor vehicles to offset the incremental cost for the entity of repowering or replacing the heavy-duty motor vehicle.

S.B. 20 establishes that a vehicle is a qualifying vehicle that may be considered for a program grant if during the calendar year the entity purchased, leased, or otherwise commercially financed the vehicle as a new on-road heavy-duty motor vehicle that meets certain requirements or repowered the on-road heavy-duty motor vehicle to a natural gas vehicle powered by a natural gas engine that is certified to current federal emissions standards and other specified standards. The bill establishes that a heavy-duty motor vehicle is not a qualifying vehicle if the vehicle or the natural gas engine powering the vehicle has been awarded a natural gas vehicle grant for a previous reporting period or by another entity or has received a similar grant or tax credit in another jurisdiction if that grant or tax credit program is relied on for credit in the state implementation plan.

S.B. 20 authorizes only an entity operating in Texas that operates a heavy-duty motor vehicle to apply for and receive a natural gas vehicle grant. The bill requires an application for a natural gas vehicle grant to be made on a form provided by TCEQ and to contain the information required by TCEQ. The bill requires TCEQ, after consulting stakeholders, to simplify the application form and to minimize, to the maximum extent possible, documentation required for an application. The bill requires TCEQ by rule to establish criteria for prioritizing qualifying vehicles to receive natural gas vehicle grants and to review and revise the criteria as appropriate after consultation with the Texas Emissions Reduction Plan Advisory Board and sets out eligibility requirements to receive those grants. The bill requires a qualifying vehicle, as a condition of receiving the grant, to be continuously owned, leased, or otherwise commercially financed and registered and operated in the state by the grant recipient until the earlier of specified dates. The bill requires not less than 75 percent of the annual use of the qualifying vehicle, either mileage or fuel use as determined by TCEQ, to occur in the counties any part of which are included in the area described by provisions relating to the clean transportation triangle formed by the interstate highways between the Houston, San Antonio, and Dallas-Fort Worth areas or counties designated as nonattainment areas within the meaning of the federal Clean Air Act.

S.B. 20 requires TCEQ to include and enforce the usage provisions in the grant contracts and to monitor compliance with the ownership, leasing, and usage requirements, including submission of reports on at least an annual basis. The bill authorizes TCEQ by contract to require the return of all or a portion of grant funds for a grant recipient's noncompliance with the usage and percentage of use requirements.

S.B. 20 requires a heavy-duty motor vehicle replaced under the program to be rendered permanently inoperable in a manner that permanently removes the vehicle from operation in Texas. The bill requires TCEQ to establish criteria for ensuring the permanent destruction of the engine or vehicle and to enforce the destruction requirements.

S.B. 20 requires TCEQ to establish baseline emission levels for emissions of nitrogen oxides for on-road heavy-duty motor vehicles being replaced by using the emission certification for the engine or vehicle being replaced. The bill authorizes TCEQ to consider deterioration of the emission performance of the engine of the vehicle being replaced in establishing the baseline emission level and to consider and establish baseline emission rates for additional pollutants of concern, as determined by TCEQ after consultation with the advisory board. The bill authorizes mileage or fuel use requirements established by TCEQ to differ by vehicle weight categories and type of use. The bill requires the executive director of TCEQ to waive the requirement for a qualifying vehicle to be an on-road vehicle that has been owned, leased, or otherwise commercially financed and registered and operated by the applicant in Texas for at least the two years immediately preceding the submission of a grant application on a finding of good cause, which may include short lapses in registration or operation due to economic conditions, seasonal work, or other circumstances.

S.B. 20 requires a recipient of a natural gas vehicle grant to use the grant to pay the incremental costs of the replacement for which the grant is made, which may include the initial cost of the natural gas vehicle or natural gas engine and the reasonable and necessary expenses incurred for the labor needed to install emissions-reducing equipment. The bill prohibits the recipient from using the grant to pay the recipient's administrative expenses.

S.B. 20 requires TCEQ to develop a grant schedule that meets specified conditions and requires not less than 60 percent of the total amount of grants awarded under the program for the purchase and repowering of motor vehicles to be awarded to motor vehicles with a gross vehicle weight rating of at least 33,001 pounds. The bill establishes that the minimum grant requirement does not apply if TCEQ does not receive enough grant applications to satisfy the requirement for motor vehicles that are eligible to receive a grant under the program.

S.B. 20 requires TCEQ to adopt procedures for awarding grants in the form of rebates and for streamlining the processes for qualifying natural gas vehicle purchases or repowers and sets out required elements of the procedures. The bill requires TCEQ, or its designee, to oversee the grant process and establishes TCEQ or its designee as responsible for final approval of any grant. The bill establishes that grant recipients are responsible for meeting all grant conditions, including reporting and monitoring as required by TCEQ through the grant contract.

S.B. 20 defines "participating dealer," requires a participating dealer to agree to the terms and conditions of a standardized contract developed by TCEQ, and sets out the duties of such a participating dealer. The bill prohibits a participating dealer from approving a grant. The bill requires TCEQ to maintain and make available to the public online a list of all qualified dealers and to establish requirements for participation in the program by sellers of on-road heavy-duty natural gas vehicles and natural gas engines.

S.B. 20 requires TCEQ to award grants to support the development of a network of natural gas vehicle fueling stations along the interstate highways connecting Houston, San Antonio, Dallas, and Fort Worth to ensure that natural gas vehicles purchased, leased, or otherwise commercially financed or repowered under the program have access to fuel and to build the foundation for a self-sustaining market for natural gas vehicles in Texas. The bill requires TCEQ, in awarding the grants, to make specified provisions.

S.B. 20 prohibits TCEQ from awarding more than three gas vehicle fueling station grants to any entity. The bill requires stations funded by such grants to be publicly accessible and located not more than three miles from an interstate highway system. The bill requires TCEQ to give preference to stations providing both liquefied natural gas and compressed natural gas at a single location and stations located not more than one mile from an interstate highway system. The bill authorizes TCEQ, in order to meet such goals, to solicit grant applications for a new fueling station in a specific area or location. The bill exempts natural gas fueling station grants from the requirements of the bill's provisions relating to the Texas natural gas vehicle grant program. The bill requires TCEQ to develop an application package and to review applications in accordance with provisions relating to certain applications under the diesel emissions reduction incentive program. The bill requires TCEQ, in consultation with the natural gas industry, to determine the most efficient use of funding for the station grants under the bill's provisions to maximize the availability of natural gas fueling stations.

S.B. 20 requires TCEQ to work with the Texas Department of Transportation and local transportation authorities to provide additional incentives for natural gas vehicles, such as access to high occupancy vehicle lanes and preferred parking in urban areas. The bill authorizes TCEQ to contract with one or more entities for the administration of the natural gas vehicle grant program.

S.B. 20 makes provisions relating to the Texas natural gas vehicle grant program expire August 31, 2017.

S.B. 20 requires TCEQ to adopt rules and establish procedures under provisions relating to the Texas natural gas vehicle grant program as soon as practicable after the bill's effective date. The bill establishes that, to the extent of any conflict, the bill's provisions prevail over another Act of the 82nd Legislature, Regular Session, 2011, relating to nonsubstantive additions to and corrections in enacted codes.

S.B. 20 defines "advisory board," "commission," "executive director," "heavy-duty motor vehicle," "natural gas vehicle," and "program" and provides for the meaning of "incremental cost" and "motor vehicle" by reference.

EFFECTIVE DATE

September 1, 2011.