

Propane Vehicle Incentives

Susan M. Shifflett
Railroad Commission of Texas



RAILROAD COMMISSION OF TEXAS
PROPANE SCHOOL BUSES

Railroad Commission Role

- RRC is Texas' chief energy agency
- Charged by statute to promote economically and environmentally beneficial uses of propane
- Worked with Blue Bird, Propane Education and Research Council and Rush to develop, market and promote an ultra-low emissions school bus
- Administers \$24 million grant program for propane school buses, forklifts and medium-duty trucks



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Why Use Propane?

- Cleaner air
- Cost savings
- Energy independence



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Why Use Propane?

- Clean: Cuts emissions by 83-99 percent
- Economical: First-year savings up to \$35,000 per bus in TERP-eligible counties, \$3,800 per bus in most other counties; annual cost savings of \$5,500 per bus everywhere
- Domestic: Propane is 90 percent U.S.-produced; most imports are from Canada



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Oil Savings

- A typical propane school bus backs out 60 barrels of diesel per year
- Replacing all pre-1990 buses with propane would save more than 700,000 barrels a year
- Replacing all diesel buses with propane would save 2.1 million barrels a year



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Sample Savings w/ RRC Grant

Propane, 15K mi/yr

Purchase:	\$95,300
RRC grant:	<\$30,700>
Fuel (4.4 mpg)	\$5,608
Fuel tax credit	<\$1,689>
Rush cash back	<\$7,000>
Maintenance	<\$ 225>
Pilferage	<u>N/A</u>
TOTAL	\$60,974

Diesel, 15K mi/yr

Purchase:	\$86,600
RRC grant:	N/A
Fuel (6 mpg):	\$ 8,700
Tax credit:	N/A
Maintenance	\$ 450
Pilferage	\$ <u>500</u>
TOTAL	<u>\$96,250</u>

FIRST YEAR SAVINGS \$34,506
ANNUAL SAVINGS \$ 5,506



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Sample Savings w/o RRC Grant

Propane, 15K mi/yr

Purchase:	\$95,300
Fuel (4.4 mpg)	\$ 5,608
Fuel tax credit	<\$1,689>
Rush cash back	<\$7,000>
Maintenance	<\$ 225>
Pilferage	<u>N/A</u>
TOTAL	\$92,444

Diesel, 15K mi/yr

Purchase:	\$86,600
Fuel (6 mpg):	\$ 8,700
Tax credit:	N/A
Maintenance	\$ 450
Pilferage	\$ <u>500</u>
TOTAL	<u>\$96,250</u>

FIRST YEAR SAVINGS \$3,806

ANNUAL SAVINGS \$5,506



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Air-Quality Benefits

Nitrogen oxides (NO_x)
Precursors to smog



**98 percent reduction over 1989
diesel buses**

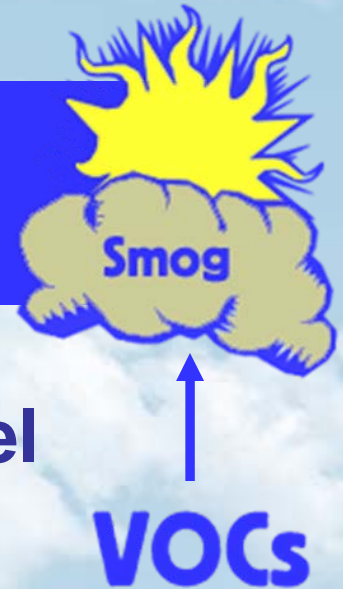
Source: EPA, Mobile 6



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Air-Quality Benefits

Volatile organic compounds (VOCs)
Precursors to smog



93 percent reduction over 1989 diesel buses

Source: EPA, Mobile 6



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Air-Quality Benefits

Carbon monoxide (CO)
Causes respiratory distress

**83 percent reduction over
1989 diesel buses**



Source: EPA, Mobile 6



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Air-Quality Benefits

Particulate matter (PM)
Particularly harmful to children



**99.99 percent reduction
over 1989 diesel buses**

Source: EPA, Mobile 6



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Grants and Credits

Current state and federal incentives reduce capital and operating costs.

- Railroad Commission Propane Vehicle Initiative
- Federal \$0.50/gal. Alternative Motor Fuel Tax Credit
- Rush Enterprises \$7,000 Cash Reimbursement
- Federal Refueling Property Tax Credit



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RRC Propane Grants

- Administered by RRC's Alternative Fuels Division under grants totaling \$24M from the Texas Commission on Environmental Quality
- State funds—source is Texas Emissions Reduction Plan (TERP)
- Applications are accepted year-round
- School Buses and Medium Duty Vehicles



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RRC Propane Grants

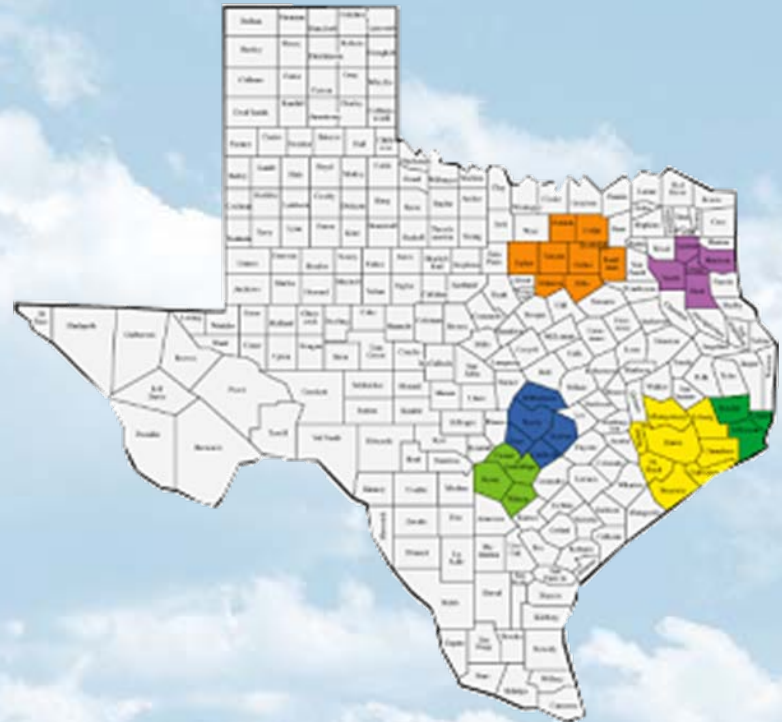
- Public and Private Vehicles in 34 counties are TERP-eligible
- Only 8 of these counties currently have propane school buses: Bexar, Brazoria, Dallas, Denton, Harris, Tarrant, Travis, Williamson



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RRC Grants: Eligible Counties

Bastrop • Bexar • Brazoria
Caldwell • Chambers • Collin
Comal • Dallas • Denton • Ellis
Ft. Bend • Galveston • Gregg
Guadalupe • Harris • Hardin
Harrison • Hays • Jefferson
Johnson • Kaufman • Liberty
Montgomery • Orange • Parker
Rockwall • Rusk • Smith
Tarrant • Travis • Upshur
Waller • Williamson • Wilson



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RRC Grants: Eligibility

- Replacement vehicles only—not additions to fleet
- Vehicles being replaced must be registered and certified operational by a Railroad Commission Category L (propane engine fuel) licensee.
- Old vehicle must have been owned and operated in Texas for the two years immediately preceding the grant application.
- New vehicle must be EPA- or CARB-certified to 2008 emission standards.



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RRC Grants: Eligibility

- Remember: RRC and TCEQ are buying emissions reductions.
- Old vehicle must be scrapped.
- New vehicle must operate for seven years, and only in an eligible county.
- Grant amounts vary according to the fuel (diesel or gasoline), annual mileage, and Gross Vehicle Weight Rating of the old and new vehicles.



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RRC Online Grant Estimator

- Go to rrc.state.tx.us
- Click on “Propane/LP-Gas Rebates”
- Select “Propane Vehicle Grants”
- Choose “Propane Replacing Diesel School Bus” or “Propane Replacing Propane School Bus”
- Select tab for model year of old bus
- Enter miles driven per year



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Sample Grant Estimates

2009 propane bus replacing . . .

1989 diesel	15,000 mi/year	\$30,700
1989 diesel	12,000 mi/year	\$24,570
1989 diesel	9,000 mi/year	\$18,430
1993 diesel	15,000 mi/year	\$14,690
1998 diesel	15,000 mi/year	\$12,360



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\$0.50/gal. Federal Tax Credit

- Tax exempt entities are eligible
- IRS refunds \$0.50/gallon of propane used in on-road vehicles
- Duration: Oct. 1, 2006 – Dec. 31, 2009
- May be extended



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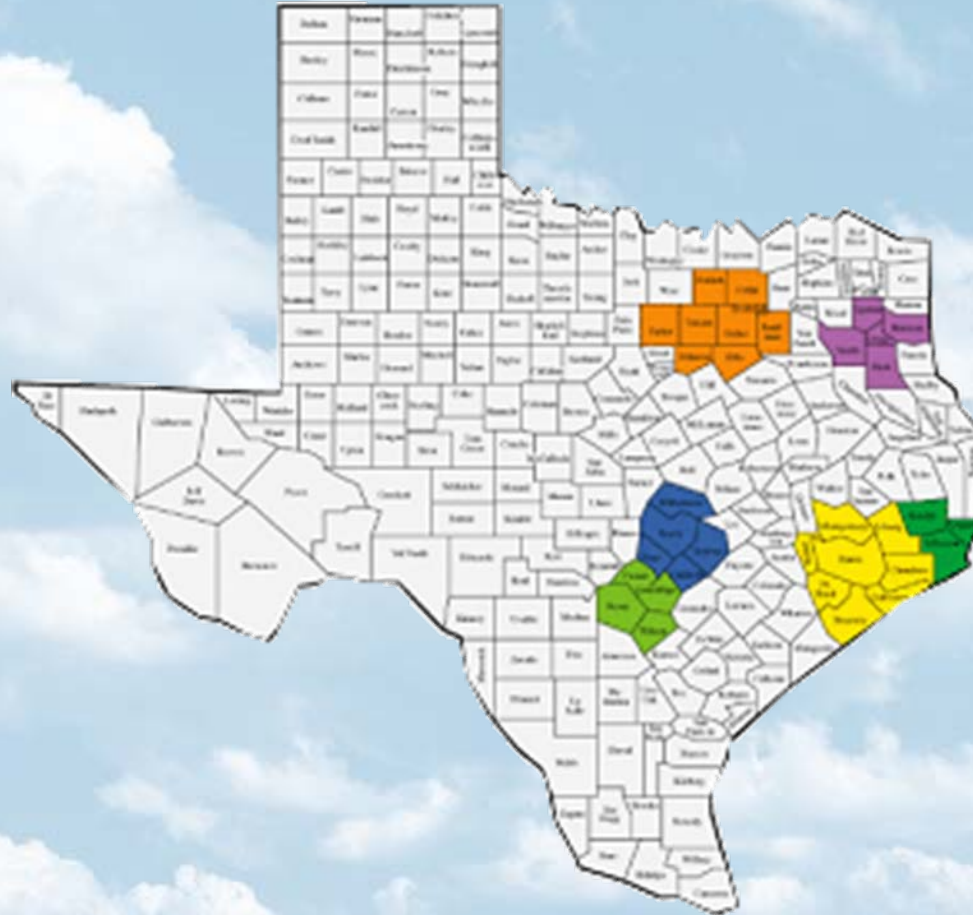
Rush Cash Reimbursement

- Only available through Rush Enterprises. First in the nation to offer this program.
- Rush takes the federal Alternative Fueled Vehicle Tax Credit of \$9,760 and reimburses school districts \$7,000 for each new propane-powered Blue Bird Vision bus purchased.



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Rush Reimbursement Area



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Rush Bus Centers

Largest school bus and
commercial vehicle dealer
network in Texas

14 state-of-the-art service
facilities

Authorized Blue Bird dealer

43+ years in commercial
transportation and equipment



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Federal Alternative Refueling Property Tax Credit

- 30 percent of new propane station cost, up to \$30,000
- For tax-exempt entities, seller may take credit
- Station must be placed in service by Dec. 31, 2009



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Service and Training

- Service on propane system is by Rush GMC Commercial Truck Centers
- Free RRC training on operation and maintenance of propane systems



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Conclusions

- Propane vehicles reduce our exposure to harmful air pollutants.
- Current incentives for propane vehicles yield substantial cost savings.
- Propane vehicles help reduce U.S. dependence on foreign oil.



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Contacts

Susan M. Shifflett, East Texas Marketing Coordinator
Railroad Commission/Alternative Fuels Division
(713) 628-9915; susan.shifflett@rrc.state.tx.us

Pat Wilson, Propane Vehicle Grants Manager
Railroad Commission/Alternative Fuels Division
(512) 463-3370; pat.wilson@rrc.state.tx.us



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