



The State of New Hampshire
DEPARTMENT OF ENVIRONMENTAL SERVICES



Thomas S. Burack, Commissioner

February 4, 2014

The Honorable James Rausch, Chair
Senate Transportation Committee
Legislative Office Building, Room 103
Concord, NH 03301

RE: SB 401, An Act establishing road toll fees for electric and hybrid electric vehicles.

Dear Chair Rausch and Members of the Committee:

Thank you for the opportunity to comment on SB 401. This bill would impose a fee on electric and hybrid electric vehicles. The Department of Environmental Services (DES) agrees that all users of the highway system should contribute toward the cost of maintaining the system, but is concerned that this bill, as proposed, would have the unintended consequence of inequitably penalizing owners of vehicles that use less fuel. DES does not oppose assessing an equitable "user fee" on electric vehicles (EV), but feels the proposed fee of \$75 is significantly higher than necessary. Further, DES does not support assessing an additional fee on hybrid electric vehicles (HEV) simply because they utilize a hybrid technology to improve fuel economy.

The intent of this legislation is to address declining road toll revenues resulting from the reduced usage of fuels that are subject to the road toll. The decrease in fuels usage is primarily related to three factors: a reduction in total vehicle miles traveled (VMT) due to changing demographics and economic recession; increasing fuel efficiency of the vehicle fleet; and the increasing use of alternative fuels, including all-electric vehicles. The problem and the solutions are very complex and have been the subject of two recent study commissions¹, both of which recognized the need to find an equitable solution to funding the state's highway system. Another study commission is proposed in the current legislative session (HB 1202). HB 1142-FN, also in the current session, seeks to rectify the issue of alternative fuels (other than electricity) that are currently exempt from the road toll.

To determine an equitable assessment on any type of vehicle it is necessary to evaluate a more fuel efficient vehicle against the average fuel economy of like vehicles. According to the U.S. Department of Energy² (U.S. DOE), as of 2009 the average annual miles per household vehicle was 11,300 miles. In response to both consumer demand and increasingly stringent federal fuel economy standards, the average fuel economy of new light duty passenger cars will rise from 33.3 miles per gallon (mpg) in 2012 to 56.2 mpg in 2025. Likewise, the fuel economy of new light duty trucks, including SUVs and smaller pick up trucks, will rise from 25.4 mpg in 2012 to 40.3 mpg in 2025. Applying these numbers to New Hampshire's fleet of approximately 1.3 million light duty cars and trucks equates to a total fuel usage of 720,000,000 gallons in 2012, declining to 517,000,000 gallons in 2025. Based on the current \$0.18 per gallon road toll and assuming the annual average miles traveled remains constant, annual road toll revenues will decrease by approximately \$36.5 million by 2025.

Relative to assessing an additional fee for EVs, DES suggests it would be more appropriate to base the fee on the average fuel economy of other vehicles in that same model year. Using the U.S. DOE data,

¹ HB 515 (2009); HB 1144 (2012)

² <http://cta.ornl.gov/data/index.shtml>

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an average model year 2012 car driving 11,300 miles will use 339 gallons of fuel annually, resulting in a road toll contribution of \$61.08. In 2015, 2020 and 2025 a new vehicle will pay approximately \$56, \$45 and \$36 respectively. The proposed fee of \$75 would result in EV owners paying a disproportional share relative to average vehicle owners. These numbers also indicate that a static fee established in statute may not be an appropriate mechanism for determining an equitable fee over time.

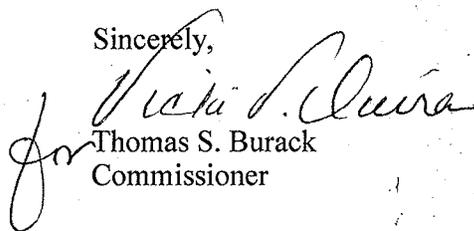
With regard to hybrid vehicles, automobile manufacturers are using a number of strategies to improve the fuel economy of new vehicles and there are a number of non-hybrid vehicles whose fuel economy surpasses that of many hybrids. One of these strategies is to equip a vehicle with both an electric drive system and an internal combustion engine, commonly referred to as a hybrid electric vehicle. Other strategies include: engines that shut off when stopped (such as at a red light); use of lighter composite materials in the vehicle body; improved aerodynamics; and use of low-rolling resistance tires. These latter strategies may or may not be combined with a hybrid drive system, but serve to significantly increase the fuel economy of the vehicle. DES opposes singling out one fuel economy technology, such as hybrids, for an additional fee because this would not address the root cause of the problem discussed earlier.

DES strongly supports the use of all strategies that increase the fuel economy of motor vehicles, as reduced use of all transportation fuels results in a cleaner and healthier environment. Motor vehicles are the primary source of oxides of nitrogen and volatile organic compounds which form ground level ozone, a respiratory irritant that is the primary component of smog in the state. The transportation sector is also the largest single source of greenhouse gas emissions in the state.

In summary, DES concurs that all users of the state's roadways should contribute toward the cost of maintaining the system. However, it is critical to be equitable in that assessment and to balance state policies relative to road toll income with those that seek to encourage fuel efficiency and advanced technologies due to the economic and environmental benefits of reduced use of petroleum fuels. As discussed in the prior study committees referenced above, the answer to the problem of reduced road toll revenues resulting from increased average vehicle fuel economy may ultimately require consideration of other factors, such as miles traveled or vehicle weight. In the short term, however, DES believes an inequitable fee on any specific technology would not adequately address the problem and would unfairly penalize certain vehicles and drivers.

Thank you for your consideration in this matter. If you have questions or need additional information, please contact Craig Wright, Air Resources Division Director (craig.wright@des.nh.gov, 271-1088) or Rebecca Ohler, ARD Transportation and Energy Programs Manager (rebecca.ohler@des.nh.gov, 271-6749)

Sincerely,



Thomas S. Burack
Commissioner

CC: Sponsors of SB 401
John Barthelmes, Commissioner, DOS
Christopher Clement, Commissioner, DOT