

ENERGY AND HIGHWAY BILLS OF 2005

Steven C. Anthony
NGV Account Executive
Southern California Gas Company

January 19, 2006



ENERGY AND HIGHWAY BILL INCENTIVES

Energy Policy Act of 2005 (H.R. 6)

Highway Bill (H.R. 3) (SAFETEA-LU)

- Provide tax incentives for:
 - The purchase of alternate fuel and advanced technology vehicles
 - The installation of alternative fuel fueling stations
 - The use of alternative fuels in vehicles

VEHICLE TAX INCENTIVES

- Energy Bill provides an income tax credit to the BUYER of a new:
 - Alternative Fueled Vehicle
 - Hybrid Vehicle
 - Advanced Lean Burn Vehicle
 - Fuel Cell Vehicle

(continued)

VEHICLE TAX INCENTIVES

- Transit and other tax exempts can capture benefit
- If the buyer is a non-tax paying entity and the seller discloses the value of the credit, the credit goes to the seller.
- Opportunity to negotiate pass through

VEHICLE TAX INCENTIVES

Alternative Fuel

- Vehicle tax credit: Amount
 - 50% of incremental cost
 - Additional 30% if engine is certified to most stringent standard available for certification on date President Bush signed law into effect.
 - Incremental cost capped at \$40,000
 - Maximum credit: \$32,000

(continued)

VEHICLE TAX INCENTIVES

Alternative Fuel

- Vehicle tax credit: Eligibility
 - Must be dedicated, except:
 - 75/25 and 90/10 Mixed Fuel eligible
 - Effective date is January 1, 2006 to December 31, 2010

INFRASTRUCTURE TAX INCENTIVES

- Energy Bill provides an income tax credit equal to 30% of the cost of refueling equipment:
 - Fuels that qualify:
 - CNG, LNG, LPG, Hydrogen, E85, or any biodiesel mixture of 20% or more
 - Up to \$30,000 in the case of large stations

(continued)

INFRASTRUCTURE TAX INCENTIVES

- If the buyer is a non-tax paying entity and the seller discloses the value of the credit, the credit goes to the seller.
- The credit is effective on purchases made after December 31, 2005 and expires on December 31, 2009

ALTERNATIVE FUEL TAX INCENTIVES

- Highway Bill includes a Volumetric Excise Tax Credit for Alternative Fuels (VEETC)
- The JOBS act of 2004 created VEETC for ethanol and biodiesel
- Highway bill made CNG, LNG, LPG, Hydrogen, and other alternative fuels eligible when those fuels are used in on-road vehicles

(continued)

ALTERNATIVE FUEL TAX INCENTIVES

- A 50 cent excise tax credit is paid to the SELLER :
 - Per GGE of CNG (one GGE= 1.248 therms)
 - Per liquid gallon of LNG
- This translates into:
 - CNG: 55.6 cents per DGE
 - LNG: 84.8 cents per DGE
- Begins on October 1, 2006
 - Expires on September 30, 2009
 - NGVA already working for extension

(continued)

ALTERNATIVE FUEL TAX INCENTIVES

- The credit will be paid to eligible recipients on a regular basis without regard to the amount of excise tax paid (including tax exempts)
- If there is no seller, the credit goes to the user:
 - e.g., if XYZ Corp. owns and operates its own CNG fueling station, there is no seller of CNG.

LEGISLATION SITES

Energy Bill Site:

<http://thomas.loc.gov/>

Click “Enter Bill Number”, Enter HR 6

Click on: H.R. 6 ENR, Scroll to Title XIII, Subtitle D,
sections 1341 and 1342

Highway Bill Site:

<http://thomas.loc.gov/>

Click “Enter Bill Number”, Enter HR 3

Click on: H.R. 3. ENR, scroll to section 11113