



Metro

June 15, 2007

TO: BOARD OF DIRECTORS

FROM: ROGER SNOBLE 
CHIEF EXECUTIVE OFFICER

SUBJECT: FEDERAL ALTERNATIVE FUELS TAX CREDIT

ISSUE

Metro is working to extend the federal alternative fuels excise tax credit beyond its current expiration date of September 30, 2009.

BACKGROUND

Under the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), which was signed into law in August 2005, Metro became eligible for an alternative fuels tax credit of 50 cents per liquid gallon that applies to CNG used for our bus fleet. The tax credit took effect on October 1, 2006 and is set to expire on September 30, 2009. Between now and September 2009, Metro stands to gain more than \$60 million in revenue as a result of this tax credit.

During our Board meeting on May 24, 2007, a motion offered by Chair Molina and Directors Fasana, O'Connor and Yaroslavsky was adopted that instructed (bullet #6) "Metro's legislative advocates to lobby for the reauthorization of the CNG tax credits scheduled to sunset in 2009."

During my trip to Washington, DC last month (May 9th), I discussed the importance of extending the alternative fuels tax credit with Congressman Xavier Becerra, who serves on the tax-writing House Ways and Means Committee. As a member of this committee, Congressman Becerra is in a good position to advocate for legislation that would provide for an extension of this tax credit. Congressman Becerra was very supportive of our position and pledged to work closely with Metro in the months ahead. I have since sent a follow-up letter to Congressman Becerra thanking him for his interest and support of this issue. Metro staff has also been in contact with Congressman Becerra's staff and will continue to coordinate closely with his office.

As I referenced in a Daily Brief issued on May 24, 2007, Metro's federal advocacy team has and continues to work with a coalition of national stakeholders to lobby Congress to extend the alternative fuel tax credit beyond 2009. In this regard, Metro has joined forces with Natural Gas Vehicles for America (NGVA), a leading national

organization advocating for the extension of the tax credit through December 31, 2016.

Most recently, on June 8, 2007, Metro Chair Gloria Molina authored letters to U.S. Senators Barbara Boxer, Dianne Feinstein and Representative Xavier Becerra urging them to undertake efforts to extend the alternative fuels excise tax credit. For your review, please find attached a copy of Director Molina's letter and a Metro fact sheet on the CNG tax credit issue that accompanied her correspondence to these Members of Congress.

NEXT STEPS

Given the financial importance to Metro of extending the alternative fuels tax credit, Government Relations staff and our federal advocates will continue to work with national stakeholders as well as Los Angeles County's Congressional Delegation to push for the extension of the alternative fuels excise tax credit as Congress considers energy and tax legislation this year.



Federal CNG tax credit keeps a “Green” Metro bus fleet on the move.

June 2007

With more than 2,300 buses powered by clean compressed natural gas (CNG), Metro operates the largest alternative fuel transit fleet in the United States.

When Metro launched its clean fuel program in 1994 with the purchase of 196 CNG buses, it was the first transportation agency in the United States to commit to alternative fuel buses on a massive scale. While other transportation agencies have also embraced alternative fuels, Metro remains the industry leader with approximately 30% of the CNG buses currently operating nationwide.

Under the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), which was signed into law in August 2005, Metro became eligible for a 50¢ per gasoline gallon equivalent of CNG tax credit. Given Metro's robust investment in clean burning CNG buses, our agency would stand to save \$60 million from this tax credit over the next three years.

The CNG tax credit permitted under SAFETEA-LU is set to expire in September 2009. Metro encourages the US Congress and the President to extend the CNG tax credit to encourage and assist transit agencies who maintain environmentally friendly bus fleets.



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Metro operates the nation's largest clean air fleet.



Metro's clean air CNG vehicles, which comprise over 90% of its entire operational bus fleet, travel 98 million miles annually. Our CNG bus fleet uses approximately 40 million Gasoline Gallon Equivalents (GGEs) of CNG generated by 10 Metro-owned and operated fueling stations.

The environmental benefits that result from Metro's commitment to CNG are remarkable. Metro's buses are 97% cleaner than the diesel buses they replaced. They reduce cancer-causing particulate matter by 98%, carbon monoxide by over 80% and greenhouse gases by over 20%.

By providing an environmentally superior alternative for passengers, Metro is responsible for reducing air pollution by more than 152,000 pounds each day. That equates annually to a combined reduction of 59 million pounds of NOx, CO and particulate matter.

Metro's national leadership on clean air issues has helped Southern California achieve dramatic improvements in air quality. With continuing economic and environmental incentives to invest in CNG buses and fueling stations, Metro will remain a leader in the emerging field of alternative fuel heavy duty vehicles.

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