SPECIAL REPORT

Status of Plans to Reduce the Use of Petroleum Products

November 2008

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Comptroller of the Treasury

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The Honorable Ron Ramsey
Speaker of the Senate
The Honorable Jimmy Naifeh
Speaker of the House of Representatives
The Honorable Tommy Kilby, Chair
Senate Environment, Conservation, and Tourism Committee
The Honorable Frank Buck, Chair
House Conservation and Environment Committee
The Honorable Thelma M. Harper, Chair
Senate Committee on Government Operations
The Honorable Mike Kernell, Chair
House Committee on Government Operations
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is the report on the status of the petroleum use reduction plans of the Department of General Services, Department of Transportation, the University of Tennessee System, and the Board of Regents institutions. This review was conducted pursuant to the requirements of Section 4-22-103, *Tennessee Code Annotated*.

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

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INTRODUCTION

AUTHORITY

Section 4-22-101, *Tennessee Code Annotated*, requires all state agencies, universities, and community colleges that have state-owned motor vehicle fleets consisting of ten or more motor vehicles to develop and implement plans to increase the state's use of alternative fuels, synthetic lubricants, and fuel-efficient or low-emission vehicles. Agencies were to submit an analysis of plan implementation by September 1, 2008, (and annually thereafter) to the Comptroller of the Treasury. Under Section 4-22-103, the Comptroller is to forward a report analyzing plan implementation to the Environment, Conservation, and Tourism Committee of the Senate, the Conservation and Environment Committee of the House of Representatives, and the Government Operations Committees of the Senate and House of Representatives by November 1, 2008 (and annually thereafter).

OBJECTIVE

The objective of the review was to determine whether applicable agencies have complied with statutory requirements to develop and implement plans to reduce or displace the use of petroleum products by their motor vehicle fleet.

SCOPE AND METHODOLOGY

We reviewed the reports submitted to the Comptroller of the Treasury by the Department of General Services, the Department of Transportation, the Board of Regents colleges and universities, and the University of Tennessee System. (No other state agency has state-owned vehicles.)

STATUTORY REQUIREMENTS

State law requires that each entity's plan have a goal of reducing or displacing at least 20 percent of the current petroleum products consumed by each entity's motor vehicle fleet by January 1, 2010. All entities were to initiate plan implementation by January 1, 2008.

The law specified that reductions could be made in the following ways:

- through the use of biodiesel, ethanol, synthetic oils or lubricants, or other alternative fuels;
- through the use of hybrid electric vehicles or other fuel-efficient or low-emission vehicles; or
- through additional methods that reduce harmful emissions as may be approved by the Department of General Services.

CONCLUSION

Status of Plans to Reduce the Use of Petroleum Products

The agencies submitted their reports of their analysis of plan implementation to the Comptroller of the Treasury as required. The Department of General Services report noted that it implemented its plan January 1, 2008; the reports of the other agencies did not note when plan implementation began. The plans contain a variety of specific strategies to meet the statutory goal of reducing or displacing at least 20 percent of the petroleum products used by their motor vehicle fleets by January 1, 2010. The strategies range from using more biofuel and electric vehicles to simply not using fuel by not traveling or by car pooling.

The implementation reports submitted in September 2009 will provide more definitive information on the success of these plans since the agencies will have had more time to implement and evaluate their strategies. For example, in some cases, agencies state they will "review" or "study" a proposed reduction strategy. Also, some plans mentioned concerns with the cost of synthetic motor fuels and oils, the cost of hybrid vehicles, and the availability of alternative fuel. Further analysis will be available in 2009 when agencies measure their progress toward the 20 percent reduction goal for January 2010.

The following summarizes the reports provided by the four entities.

<u>Department of General Services</u>

The Department of General Services submitted its plan implementation report on August 29, 2008. The department's report listed its actions to implement its petroleum reduction plan. These actions include

- issuing a Request for Proposal for a new fuel contract using a universally accepted card such as Visa or Mastercard to expand the number of suppliers and increase accessibility of E85 ethanol and B20 biodiesel fuel;

- adding energy-efficient, flex-fuel, and hybrid-vehicle specifications in the bidding and procurement process for future vehicle purchases;
- using synthetic blend oil in all vehicles;
- developing guidelines for all agencies to reduce engine idle time; and
- assigning customers the most fuel efficient vehicle based on the need of the customer (number of passengers, required cargo space, travel distance, etc.).

Department of Transportation

The Department of Transportation submitted a report on its plan implementation on August 29, 2008. As part of its compliance strategies, the department expects to achieve most of the required petroleum reduction through the use of biofuels. It also plans to use synthetic blend oils to reduce the amount of petroleum products used by gasoline-powered vehicles and to purchase hybrid-electric or fuel-efficient vehicles through the department's vehicle replacement program. Other strategies include

- using a biodiesel B20 blend in on-road diesel vehicles whenever possible;
- using E85 ethanol in all flexible-fuel vehicles on a consistent basis where it is available;
- developing a policy to reduce unnecessary idling of department vehicles; and
- establishing a purchasing policy to increase the number of flexible-fuel vehicles in the department's fleet.

The department reported that it expects to implement all its strategies by the end of calendar year 2008, unless unexpected budget or other restrictions arise.

The Tennessee Board of Regents System

The Board of Regents submitted reports for its universities and community colleges with fleets of ten or more vehicles on October 1, 2008. A total of 14 institutions and the central office submitted reports. (Columbia State Community College, Motlow State Community College, Northeast State Technical Community College, and Nashville State Technical Community College were not required to submit reports.) The reports include the following measures to reduce petroleum use:

- using electric utility (e.g., golf) carts on campus instead of cars and trucks;
- replacing fleet vehicles with more fuel-efficient vehicles and alternative-fuel or hybrid vehicles;
- reducing car trips and promoting more fuel-efficient driving methods, use of car pools, and teleconferencing; and
- using synthetic motor oil.

The University of Tennessee System

The University of Tennessee (UT) submitted its report on October 7, 2008. The University of Tennessee Transportation Service Department is responsible for the procurement, operation, and disposal of all motor vehicles for the University of Tennessee (UT Chattanooga, UT Knoxville, UT Martin, UT Health Science Center, UT Institute of Agriculture, UT Institute for Public Service, UT Space Institute, and UT University-wide Administration).

UT's plan includes the following measures to reduce or displace its use of petroleum products:

- increasing its inventory of flex-fuel vehicles;
- acquiring hybrid vehicles if they can be purchased at a competitive price (purchase costs are estimated to be an average of 40 percent greater than the cost of E85 vehicles);
- increasing use of E85 fuel;
- reviewing motor pool usage to determine if the number of fleet vehicles can be reduced; and
- studying the use of synthetic oils and lubricants.