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An Act To Establish Alternative Fuel Incentive Grants To Stimulate the Production, Distribution and Use of Biofuels

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 35-A MRSA §122 is enacted to read:

§ 122. Alternative fuels incentive assessment

The commission shall annually transfer the assessments received from public utilities and competitive service providers pursuant to Title 38, section 3108 to the Alternative Fuels Incentive Fund established under Title 38, section 3106.

Sec. 2. 35-A MRSA §3210, sub-§6, as enacted by PL 1999, c. 372, §2, is amended to read:

6. Fund. There is established the Renewable Resource Fund, referred to in this subsection as the ~~"fund."~~"the fund." The fund is a nonlapsing fund administered by the State Planning Office. All funds collected by the commission pursuant to subsection 5 must be deposited in the fund for distribution by the State Planning Office in accordance with subsection 5. The State Planning Office may seek and accept funding for the program established pursuant to subsection 5 from other sources, public or private. Any funds accepted for use in the program established pursuant to subsection 5 must be deposited in the fund. Money transferred to the fund pursuant to Title 38, section 3108 must be used for the purposes established in that section.

Sec. 3. 38 MRSA c. 33 is enacted to read:

CHAPTER 33

ALTERNATIVE FUELS INCENTIVE ACT

§ 3104. Short title

This chapter is known and may be cited as "the Alternative Fuels Incentive Act."

§ 3105. Definitions

As used in this chapter, unless the context otherwise indicates, the following terms have the following meanings.

- 1. Alcohols.** "Alcohols" means fuels composed of 85% ethanol or methanol and 15% gasoline.
- 2. Alternative energy source.** "Alternative energy source" means a source of energy, other than a conventional source such as those conventional sources listed in subsection 5, that includes but is not limited to wind, solar photovoltaic systems, solar thermal systems, combined heat and power,

integrated gasification combined cycles, geothermal systems, low-impact hydroelectric power, biomass fuels, biologically derived methane gas, coal bed methane gas, fuel cells, waste coal and distributed generation systems.

3. Alternative fuel vehicle. "Alternative fuel vehicle" means a self-propelled vehicle operating on an alternative fuel designed for transporting persons or property. It includes, but is not limited to, a bi-fuel vehicle, dual-fuel vehicle, hybrid vehicle and dedicated vehicle.

4. Alternative fuel producer. "Alternative fuel producer" means a producer of an alternative fuel whose alternative fuel production facility is located within this State.

5. Alternative fuels. "Alternative fuels" means motor vehicle fuels and fuel systems that when compared to conventional gasoline or reformulated gasoline, diesel fuel, oil or coal will result in lower emissions of oxides of nitrogen, volatile organic compounds, carbon monoxide or particulates, toxic air pollutants, greenhouse gases or any combination thereof. "Alternative fuels" includes, but is not limited to, compressed natural gas, liquefied natural gas, liquid propane gas, alcohols, hydrogen, hythane, biofuels and electricity.

6. Bi-fuel vehicle or dual-fuel vehicle. "Bi-fuel vehicle" or "dual-fuel vehicle" means a vehicle that operates on an alternative fuel and gasoline or an alternative fuel and diesel fuel. This term includes an OEM vehicle and a retrofitted vehicle.

7. Biodiesel fuel. "Biodiesel fuel" means either:

A. A biofuel derived from vegetable oils or animal fats that is designated B100 and meets the American Society of Testing and Materials International specification d6751; or

B. A fuel comprised of 20% biodiesel with 80% diesel fuel that is designated B20.

8. Biofuels. "Biofuels" means fuels derived from alcohols, ether, esters and other chemicals made from cellulosic biomass such as herbaceous and woody plants, agricultural and forestry residues and a large portion of municipal solid and industrial waste.

9. Dedicated vehicle. "Dedicated vehicle" means a vehicle that runs exclusively on an alternative fuel. This term includes an OEM vehicle and a retrofitted vehicle.

10. Diesel fuel. "Diesel fuel" means diesel engine fuel and all other liquids except gasoline suitable for the generation of power for the propulsion of motor vehicles.

11. Fleet. "Fleet" means a group of 10 or more vehicles, comprised of passenger cars, light-duty trucks, buses and heavy-duty trucks up to 26,000 pounds gross vehicle weight that is owned and operated by a single school district, political subdivision, nonprofit entity, corporation, limited liability company or partnership located within the State.

12. Gallon. "Gallon" means the quantity of fluid or liquid at a temperature of 60 degrees Fahrenheit necessary to completely fill a United States standard gallon liquid measure.

13. Gasoline. "Gasoline" means motor fuel and includes:

A. Every liquid petroleum product, or combination thereof, other than solvents, having an Atmospheric Pressure Index gravity of 46 degrees or above at a temperature of 60 degrees Fahrenheit; and

B. Every liquid having an Atmospheric Pressure Index gravity of less than 46 degrees at a temperature of 60 degrees Fahrenheit that is compounded, blended, manufactured or otherwise produced by mixing or blending gasoline or solvents with blending materials when the blended product can be used for generating power in internal combustion engines.

14. Hybrid vehicle. "Hybrid vehicle" means a motor vehicle that draws propulsion energy from on-board sources of stored energy that contain:

A. An internal combustion engine using combustible fuel; and

B. A rechargeable energy storage system.

15. Hythane. "Hythane" means any combination of compressed natural gas and hydrogen.

16. Incremental cost. "Incremental cost" means:

A. The difference between the purchase price of an alternative fuel vehicle and the purchase price of a same or similar model gasoline-only or diesel-only fueled vehicle; or

B. The difference between the base price of diesel fuel and biodiesel fuel.

17. OEM. "OEM" means the original equipment manufacturer.

18. OEM vehicle. "OEM vehicle" means a vehicle originally manufactured to run on an alternative fuel.

19. Retrofit. "Retrofit" means install an alternative fuel system into a gasoline-fueled vehicle.

20. Stationary power facility. "Stationary power facility" means a fixed, in-place facility that generates electric power for distribution into the electric distribution system or for use on-site as primary power or backup power for critical need or at adjacent locations not connected to the electricity grid for primary power.

§ 3106. Alternative Fuels Incentive Fund

1. Establishment. There is established a separate account in the State Treasury to be known as "the Alternative Fuels Incentive Fund" and referred to in this chapter as "the fund." The department shall administer the Alternative Fuels Incentive Fund. The fund consists of the money transferred by the Public Utilities Commission from the assessment on public utilities and competitive service providers as set forth in section 3109.

2. Expenditures. The department shall establish a program to distribute money from the fund. Except as provided in section 3107, money from the fund may be expended by the department as:

A. Grants to school districts, political subdivisions, nonprofit entities, corporations, limited liability companies or partnerships incorporated or registered in the State to provide funding for:

(1) The expenses relative to retrofitting vehicles to operate on alternative fuels as either a bi-fuel, dual-fuel, hybrid or dedicated vehicle;

(2) The incremental cost of purchase of bi-fuel, dual-fuel, hybrid or dedicated vehicles;

(3) The cost to purchase and install the necessary fleet refueling or home-refueling equipment for bi-fuel, dual-fuel, hybrid or dedicated vehicles; and

(4) The cost to perform research, training development and demonstration of new applications or next-phase technology related to alternative fuel vehicles;

B. Grants to individual residents of the State who purchase an alternative fuel vehicle for the cost to purchase and install the necessary home refueling equipment for bi-fuel, dual-fuel, hybrid or dedicated vehicles;

C. Grants to school districts, political subdivisions and nonprofit entities to cover the incremental cost to purchase biofuel;

D. Rebates to residents of the State to meet the incremental cost to individuals who purchase a bio-fuel, dual-fuel, hybrid or dedicated vehicle; and

E. Reimbursement of up to 5¢ per gallon for up to 12,500,000 gallons of alternative fuels produced by an alternative fuels producer in a calendar year.

By January 1, 2008 and annually thereafter, the department shall evaluate the amount of funding under this chapter to determine whether an adjustment in funding level is appropriate. The evaluation criteria must be based on economic and regulatory conditions that affect the feasibility of alternative fuels and the financial solvency of the fund.

No more than 2% of the fund may be used to administer the provisions of this chapter.

No more than 10% of the fund may be awarded to any one school district, political subdivision, nonprofit entity, corporation, limited liability company, partnership or resident of the State in any one year, and the total amount of grants awarded and rebates provided to grant and rebate recipients within a political

subdivision in a year may not exceed 15% of the fund. However, if the total grant and rebate money to be awarded in that year is less than the total grant money available for that year, the department may increase the 10% and 15% funding levels established under this paragraph, but not to exceed 40% of the fund.

3. Grant program. The department shall establish a formula and method for the awarding of grants under the program. The department also shall establish a method by which grant applications are prioritized according to, but not limited to, the following goals and criteria:

- A. The improvement of the State's air quality;
- B. The fulfillment of the State's responsibilities under the Clean Air Act, 69 Stat. 322, 42 United States Code, Section 7401, et seq.;
- C. The protection of the State's natural environment, including land, water and wildlife;
- D. The advancement of economic development in the State and the promotion of the State's indigenous resources;
- E. The reduction of the State's dependence on imported crude oil and other petroleum products;
- F. The most cost-effective use of private and public funding; and
- G. The transfer and commercialization of innovative alternative energy technologies.

4. Rebate program. A rebate program is established within the department for individuals residing in this State who purchase a hybrid vehicle.

- A. The department shall establish a formula and method for the awarding of rebates under this program. The department shall publish this information annually. Rebates must be provided to the extent that funding is available for this purpose. To the extent that applications for rebates exceed the available funds for this program, the department may award rebates on a pro rata basis.
- B. A request for a rebate must be submitted to the department no later than 6 months after the purchase date of a hybrid vehicle in a form and manner prescribed by the department. The department shall provide an application form to an individual upon request, and the department may make the application form available on its publicly accessible site on the Internet or through the place of purchase of hybrid vehicles.
- C. Applicants shall provide a copy of a valid Maine vehicle registration and proof of purchase when making a request for a rebate under this program.

§ 3107. Annual report

The department shall annually submit a report to the joint standing committee of the Legislature having jurisdiction over natural resources matters on the activities undertaken pursuant to this chapter, including, but not limited to, the number of grants awarded and rebates given and other expenditures from the fund.

§ 3108. Interfund transfer

1. General rule. The department may transfer money from the fund to the Renewable Resource Fund established in Title 35-A, section 3210, subsection 6 one time during the fiscal year beginning July 1, 2007.

2. Use of transferred funds. Funds transferred to the Renewable Resource Fund under this section may be used only to:

A. Provide financial assistance for research directly related to alternative energy sources and for the development and installation of stationary power facilities within the State that use alternative energy sources to produce electric power. The financial assistance offered under this section is limited to grants and low-interest loans at or below prevailing interest rates and loan guarantees; and

B. Support the establishment of public or private partnerships among postsecondary institutions and private sector organizations. The public or private sector partnerships must be designed to support a broad program of research and development of alternative energy sources. Research funds must be directed toward those projects that clearly demonstrate that the technology being studied can be practically applied.

3. Development of guidelines. Prior to any use of the funds transferred to the Renewable Resource Fund, the department shall develop guidelines for the application and use of these funds, including all applicable eligibility criteria, which must describe the manner of application for financial assistance and an application for assistance under this section. Financial assistance may not be provided to an applicant until guidelines are issued and the general public has been provided a reasonable opportunity to apply for funds under this section.

4. Lapse. Any unexpended funds from the transfer lapse to the General Fund on June 30, 2009.

§ 3109. Assessment

Every public utility, as defined in Title 35-A, section 102, subsection 13, and competitive service provider, as defined in Title 35-A, section 102, subsection 2-A, is subject to an assessment on its intrastate gross operating revenues to produce a total of \$3,000,000 in revenues annually for the purpose of carrying out the provisions of this chapter. The Public Utilities Commission shall determine the assessments annually prior to May 1st and assess each public utility and competitive service provider for its pro rata share for the next fiscal year. Each public utility and competitive service provider shall pay the assessment on or before July 1st of each year. Pursuant to Title 35-A, section 122, revenue raised under this section must be transferred by the Public Utilities Commission to the Alternative Fuels Incentive Fund established under section 3106. The Public Utilities Commission shall adopt rules to implement this section. Rules adopted pursuant to this section are routine technical rules as defined in Title 5, chapter 375, subchapter 2-A.

§ 3110. Rules

Except as provided under section 3109, the department shall adopt rules necessary to carry out the purposes of this chapter. Rules adopted pursuant to this section are routine technical rules as defined in Title 5, chapter 375, subchapter 2-A.

SUMMARY

This bill creates the Alternative Fuels Incentive Act. It establishes a fund known as the Alternative Fuels Incentive Fund. The fund is administered by the Department of Environmental Protection and consists of an annual assessment on public utilities and competitive service providers. The fund pays for grants to school districts, political subdivisions, nonprofit entities, corporations, limited liability companies and partnerships incorporated or registered in the State. A rebate program is established for residents of the State who purchase a hybrid vehicle.