

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

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HOUSE DRH80366-LD-141 (05/02)

Short Title: Alternative Fuel Credits/Energy Credits Pgm. (Public)

Sponsors: Representatives Harrison and Martin (Primary Sponsors).

Referred to:

A BILL TO BE ENTITLED

AN ACT TO GAIN ENERGY INDEPENDENCE AND IMPROVE AIR QUALITY
BY ESTABLISHING GOALS FOR ALTERNATIVE FUEL AND ADVANCED
TECHNOLOGY VEHICLE USE BY MOTOR VEHICLES IN THE STATE
FLEET AND BY ESTABLISHING A BANKING AND SELLING PROGRAM
FOR CREDITS ISSUED UNDER THE FEDERAL ENERGY POLICY ACT IN
ORDER TO GENERATE FUNDS TO BE USED TOWARD THE PURCHASE OF
ALTERNATIVE FUELS AND ALTERNATIVE FUELED VEHICLES AND FOR
INFRASTRUCTURE DEVELOPMENT BY STATE DEPARTMENTS,
INSTITUTIONS, AND AGENCIES.

The General Assembly of North Carolina enacts:

SECTION 1. Article 3 of Chapter 143 of the General Statutes is amended by adding three new sections to read:

"§ 143-58.4. Alternative fuel use credits program.

(a) Goal. – The State fleet shall accrue a total of 2,000,000 alternative fuel use credits during each calendar year 2006 and 2007. The State fleet shall accrue a total of 5,000,000 alternative fuel use credits during each calendar year 2008 and 2009. The State fleet shall accrue a total of 10,000,000 alternative fuel use credits during the calendar year 2010 and each calendar year thereafter.

(b) Planning. – The State Energy Office, the Division of Motor Fleet Management of the Department of Administration, the Department of Transportation, and representatives of each State department, institution, and agency that has a State fleet shall meet annually to develop a plan for meeting the alternative fuel use credit requirements under subsection (a) of this section. The State Energy Office shall set the dates of these annual meetings and may allocate alternative fuel use requirements among State departments, institutions, and agencies.

1 (c) Report. – No later than March 1 of each year, the State Energy Office shall
2 submit an annual status report to the General Assembly covering participation in and
3 compliance with the goals under subsection (a) of this section by each State department,
4 institution, and agency.

5 (d) Monitoring. – In 2010, the General Assembly shall examine the program
6 under this section for cost and effectiveness. At such time that the State Energy Office
7 determines that the prices of alternative fuels exceed the cost of gasoline and diesel fuel
8 to a degree that renders the program under this section impracticable and unreasonable,
9 the requirements of this section shall be suspended until such time that the State Energy
10 Office determines that the prices of alternative fuels no longer render the program
11 impracticable and unreasonable.

12 (e) Formulas for Calculating Credits. – Alternative fuel use credits are calculated
13 as follows:

14 (1) Subject to subdivision (2) of this subsection, one alternative fuel credit
15 accrues for each one gallon of one hundred percent (100%) alternative
16 fuel utilized by a State fleet vehicle. When alternative fuel is blended
17 with petroleum-based fuel, the alternative fuel credit accrues for each
18 one gallon of alternative fuel utilized by a State vehicle at a rate that is
19 based on the percentage of alternative fuel that is utilized by a State
20 fleet vehicle. (For example, one alternative fuel use credit accrues for
21 every five gallons of B20 that is utilized by a State fleet vehicle.)

22 (2) One and one-half alternative fuel credits accrue for each one gallon of
23 alternative fuel produced in North Carolina that is utilized by a State
24 fleet vehicle.

25 (3) Six thousand alternative fuel credits accrue for each advanced
26 technology vehicle that is purchased for a State fleet.

27 (f) The Department of Administration may adopt rules necessary to implement
28 the program under this section.

29 (g) Definitions. – The following definitions apply to this section:

30 (1) 'Alternative fuel' means any of the following:

31 a. Biodiesel (B100).

32 b. B20, which is a blend of twenty percent (20%) biodiesel with
33 eighty percent (80%) petroleum diesel fuel.

34 c. Ethanol (E100).

35 d. E10, which is a blend of ten percent (10%) ethanol with ninety
36 percent (90%) unleaded gasoline.

37 e. E85, which is a blend of eighty-five percent (85%) ethanol with
38 fifteen percent (15%) gasoline.

39 f. Compressed natural gas.

40 g. Propane.

41 h. Hydrogen.

42 (2) 'Advanced technology vehicle' means:

1 a. A hybrid electric vehicle operating on gasoline or another
2 alternative fuel that has an emissions certification level of Ultra
3 Low Emission Vehicle (ULEV) or greater.

4 b. A low speed electric vehicle that replaces a gasoline powered
5 vehicle and that is legal to operate on streets rated for vehicular
6 traffic less than 30 MPH.

7 (3) 'State fleet' means those motor vehicles that are operated by a State
8 department, institution, or agency that purchases fuel for these vehicles
9 under a State purchasing contract.

10 **"§ 143-58.5. Energy credit banking and selling program.**

11 (a) Establish Program. – The State Energy Office of the Department of
12 Administration, in cooperation with State departments, institutions, and agencies, shall
13 establish and administer an energy credit banking and selling program to allow State
14 departments, institutions, and agencies to use moneys generated by the sale of EPAct
15 credits to purchase alternative fuel, develop alternative fuel refueling infrastructure, and
16 purchase AFVs for use by State departments, institutions, and agencies. Each State
17 department, institution, and agency shall provide the State Energy Office with all
18 vehicle fleet information necessary to determine the number of EPAct credits generated
19 annually by the State. The State Energy Office may sell credits in any manner that is in
20 accordance with the provisions of the Energy Policy Act.

21 (b) Adopt Rules. – The Department shall adopt rules as necessary to implement
22 this section and G.S. 143-58.6.

23 (c) Definitions. – The following definitions apply to this section and
24 G.S. 143-58.6:

25 (1) 'AFV' means a hybrid electric vehicle that derives its transportation
26 energy from gasoline and electricity. AFV also means an original
27 equipment manufactured vehicle that operates on compressed natural
28 gas, propane, or electricity.

29 (2) 'Alternative fuel' means biodiesel, ethanol, compressed natural gas,
30 hydrogen, propane, and electricity used as a transportation fuel in
31 blends or in a manner as defined by the Energy Policy Act.

32 (3) 'Energy Policy Act' means the federal Energy Policy Act, 42 U.S.C.
33 § 13201, et seq.

34 (4) 'EPAct credit' means a credit issued pursuant to the Energy Policy Act.

35 (5) 'Incremental cost' means the difference in cost between an alternative
36 fuel and conventional petroleum fuel at the time the fuel is purchased.
37 Incremental cost also means the difference in cost between an AFV
38 and conventional vehicle of the same make and model. For vehicles
39 with no comparable conventional model, incremental costs means the
40 incremental cost that the industry accepts as the incremental cost.

41 **"§ 143-58.6. Alternative Fuel Revolving Fund.**

42 (a) The Alternative Fuel Revolving Fund is created and shall be held by the State
43 Treasurer. The Fund shall consist of moneys received from the sale of EPAct credits
44 under G.S. 143-58.5, any moneys appropriated to the Fund by the General Assembly,

1 and any moneys obtained or accepted by the Department for deposit into the Fund. The
2 Fund shall be managed to maximize benefits to the State for the purchase of alternative
3 fuel, related refueling infrastructure, and AFV purchases. To the extent possible,
4 benefits from the sale of EAct credits shall be distributed to State departments,
5 institutions, and agencies in proportion to the number of EAct credits generated by
6 each. No portion of the Fund shall be transferred to the General Fund, and any
7 appropriation made to the Fund shall not revert. The State Treasurer shall invest moneys
8 in the Fund in the same manner as other funds are invested. Interest and moneys earned
9 on such investments shall be credited to the Fund.

10 (b) The Fund shall be used to pay for the incremental cost of biodiesel fuel with a
11 minimum biodiesel concentration of B20 for use in State vehicles, for the purchase of
12 ethanol fuel with a minimum ethanol concentration of E85 for use in State vehicles, the
13 incremental cost of purchasing AFVs, for the development of related refueling
14 infrastructure, and for the costs of administering the Fund.

15 (c) No later than January 31 of each year, the Department shall submit an annual
16 report to the General Assembly on the expenditures from the Fund during the preceding
17 fiscal year."

18 **SECTION 2.** Article 2 of Chapter 136 of the General Statutes is amended by
19 adding two new sections to read:

20 "**§ 136-28.13. Participation in alternative fuel use credits program.**

21 The Department of Transportation shall participate in the alternative fuel use credits
22 program under G.S. 143-58.4. The Department of Transportation may adopt rules to
23 implement this section.

24 "**§ 136-28.14. Participation in the energy credit banking and selling program.**

25 The Department of Transportation shall participate in the energy credit banking and
26 selling program under G.S. 143-58.5 and is eligible to receive proceeds from the
27 Alternative Fuel Revolving Fund under G.S. 143-58.6 to purchase alternative fuel,
28 develop alternative fuel refueling infrastructure, or purchase AFVs as defined in
29 G.S. 143-58.5."

30 **SECTION 3.** G.S. 143-341(8)i. reads as rewritten:

31 "i. To establish and operate a central motor pool and such
32 subsidiary related facilities as the Secretary may deem
33 necessary, and to that end:

34 1. To establish and operate central facilities for the
35 maintenance, repair, and storage of state-owned
36 passenger motor vehicles for the use of State agencies; to
37 utilize any available State facilities for that purpose; and
38 to establish such subsidiary facilities as the Secretary
39 may deem necessary.

40 2. To acquire passenger motor vehicles by transfer from
41 other State agencies and by purchase. All motor vehicles
42 transferred to or purchased by the Department shall
43 become part of a central motor pool.

- 1 2a. To participate in the alternative fuel use credits program
- 2 under G.S. 143-58.4.
- 3 2b. To participate in the energy credit banking and selling
- 4 program under G.S. 143-58.5. The Department of
- 5 Administration, Division of Motor Fleet Management, is
- 6 eligible to receive proceeds from the Alternative Fuel
- 7 Revolving Fund under G.S. 143-58.6 to purchase
- 8 alternative fuel, develop alternative fuel refueling
- 9 infrastructure, or purchase AFVs as defined in
- 10 G.S. 143-58.5.

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12 **SECTION 4.** This act becomes effective January 1, 2006.