

MAINE STATE LEGISLATURE

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1 FIRST REGULAR SESSION
2

3 ONE HUNDRED AND ELEVENTH LEGISLATURE
4

5 Legislative Document

No. 1061

6
7 H.P. 821

House of Representatives, March 4, 1983

8 Submitted by the Office of Energy Resources pursuant to Joint Rule 24.

9 Referred to the Committee on Energy and Natural Resources. Sent up for
concurrence and ordered printed.

10 EDWIN H. PERT, Clerk

Presented by Representative McGowan of Pittsfield.

11 Cosponsors: Representative Nadeau of Lewiston and Representative Hall
of Sangerville.

12 STATE OF MAINE
13

14 IN THE YEAR OF OUR LORD
15 NINETEEN HUNDRED AND EIGHTY-THREE
16

17 AN ACT to Create an Emergency Petroleum
18 Reserve for the State.
19

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

22 36 MRSA §5217 is enacted to read:

23 §5217. Tax credits for emergency petroleum reserve

24 1. Eligibility. Those taxable corporations, as
25 defined in section 5102, subsection 10, which own or
26 use residential heating oil or motor gasoline storage
27 facilities in the State shall be eligible for a tax
28 credit under this section.

29 2. Establishment of reserve. The Governor, upon
30 recommendation of the Director of Energy Resources,
31 shall determine, no later than October 1st of each

1 year, if, as a result of the heating oil supply out-
2 look, a heating oil reserve should be established.
3 In preparation of his recommendation, the director
4 shall hold a public hearing and, in the event he
5 recommends the establishment of such a reserve, he
6 shall propose no more than 4 geographic storage zones
7 within the State and a target figure in gallons of
8 heating oil for each zone. If the Governor deter-
9 mines that a reserve is required, the director shall
10 solicit bids from eligible taxable corporations will-
11 ing to supply products in each reserve zone, in ac-
12 cordance with state purchasing procedures and in con-
13 sultation with the State Purchasing Agent. Contracts
14 will be awarded on the basis of low bid. Executed
15 contracts will detail the amount of reserve products,
16 storage locations, cost of storage and such other
17 items as the director may specify. No contract may
18 extend for a period longer than 6 months. These con-
19 tracts will be executed no later than November 1st.
20 If the Governor determines that no heating oil
21 reserve is required, the Director of Energy Resources
22 shall take no further action in pursuance of this
23 subsection.

24 This same procedure will be followed in determining
25 the need for a gasoline reserve and its establishment
26 during peak driving months, except that the determi-
27 nation shall be made no later than April 1st and con-
28 tracts executed by May 1st.

29 3. Amount of credit. Those parties in receipt of
30 contracts under this section shall receive payment
31 for their services in the form of a tax credit to be
32 awarded upon filing of the corporate income tax
33 statements in the taxable year in which the contracts
34 terminate. The amounts of individual credits shall
35 reflect the costs of reserve storage indicated in
36 contracts. This amount will be based on the cost of
37 product storage per barrel per month for the period
38 of time covered under the contract. The aggregate
39 amount of tax credit awarded under this section shall
40 not exceed \$50,000 during any fiscal year of this
41 program.

42 4. Allocation of reserve. At the Governor's
43 direction, the Director of Energy Resources shall
44 allocate reserve products in accordance with Title 5,

1 section 5011, the state petroleum set-aside system.
2 No reserve product may be allocated until after the
3 state set-aside system has been activated and util-
4 ized to the fullest possible extent without satisfac-
5 tory amelioration of supply problems.

6 5. Inspection. Any party which contracts to pro-
7 vide reserve products under this section agrees to
8 storage facilities inspection upon request by the
9 Director of Energy Resources at any time during the
10 period of the contract.

11 6. Rule-making authority. The Director of Energy
12 Resources shall promulgate rules in accordance with
13 the Maine Administrative Procedure Act, Title 5,
14 chapter 375, in order to carry out the purposes of
15 this section.

16 7. Penalty. Any eligible party selected to
17 receive a tax credit under this section and who fails
18 to meet the terms of a contract executed with the
19 State at the start of each reserve period, shall be
20 subject to a fine equivalent to the tax credit men-
21 tioned in this section.

22 STATEMENT OF FACT

23 This bill offers a tax credit to companies which
24 agree to store reserve supplies of home heating oil
25 and gasoline to be used for distribution in Maine in
26 the event of an emergency shortage. The reserve acts
27 as a backup to the state's petroleum set-aside sys-
28 tem. In the event of localized shortages within the
29 State, the set-aside system would be invoked. The
30 reserve would be activated to meet more severe
31 regional shortages or a statewide shortage.

32 In order to establish the reserve, the Governor
33 would have to find a need existed on the basis of a
34 recommendation of the Director of Energy Resources
35 after public hearing. If the Governor decides such a
36 reserve is required, the Director of Energy Resources
37 will establish reserve target levels for each heating
38 season and summer driving period. In accordance with
39 state purchasing procedures, he will then seek bids
40 and execute contracts with eligible parties for stor-

1 age of these amounts. Payment for the cost of stor-
2 age will be made in the form of a tax credit. The
3 aggregate tax credit amount in any single year will
4 not exceed \$50,000.

5 The cost for creating the emergency petroleum
6 reserve shall not exceed a ceiling amount of \$50,000
7 in any fiscal year during which the reserve is estab-
8 lished. There will be no cost in any year in which
9 the reserve was not established. The Office of
10 Energy Resources projects that an appropriate reserve
11 should provide for enough product to handle a 5%
12 shortage for 20 days. This equals approximately
13 24,000 barrels of heating oil for a 6-month reserve
14 period. The storage cost of this amount is approxi-
15 mately \$21,000. Approximately 32,000 barrels of
16 gasoline would be needed at a storage cost of about
17 \$28,000. This combined cost is about \$49,000 for one
18 year's reserve, hence the \$50,000 ceiling.

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