

MAINE STATE LEGISLATURE

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123rd MAINE LEGISLATURE

FIRST REGULAR SESSION-2007

Legislative Document

No. 1347

H.P. 956

House of Representatives, March 12, 2007

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

Reference to the Committee on Utilities and Energy suggested and ordered printed.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

Presented by Representative PINGREE of North Haven.
Cosponsored by Senator TURNER of Cumberland and
Representatives: ADAMS of Portland, BERRY of Bowdoinham, BRAUTIGAM of Falmouth,
CONOVER of Oakland, Speaker CUMMINGS of Portland, MIRAMANT of Camden, PRATT
of Eddington, WEBSTER of Freeport.

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

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

3 **§122. Alternative fuels incentive assessment**

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

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

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

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

19 **CHAPTER 33**

20 **ALTERNATIVE FUELS INCENTIVE ACT**

21 **§3104. Short title**

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

23 **§3105. Definitions**

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

26 **1. Alcohols.** "Alcohols" means fuels composed of 85% ethanol or methanol and
27 15% gasoline.

28 **2. Alternative energy source.** "Alternative energy source" means a source of
29 energy, other than a conventional source such as those conventional sources listed in
30 subsection 5, that includes but is not limited to wind, solar photovoltaic systems, solar
31 thermal systems, combined heat and power, integrated gasification combined cycles,
32 geothermal systems, low-impact hydroelectric power, biomass fuels, biologically derived
33 methane gas, coal bed methane gas, fuel cells, waste coal and distributed generation
34 systems.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11 A. An internal combustion engine using combustible fuel; and

12 B. A rechargeable energy storage system.

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

15 **16. Incremental cost.** "Incremental cost" means:

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

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

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

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

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

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

29 **§3106. Alternative Fuels Incentive Fund**

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

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

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

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

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

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

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

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

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

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

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

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

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

27 No more than 10% of the fund may be awarded to any one school district, political
28 subdivision, nonprofit entity, corporation, limited liability company, partnership or
29 resident of the State in any one year, and the total amount of grants awarded and rebates
30 provided to grant and rebate recipients within a political subdivision in a year may not
31 exceed 15% of the fund. However, if the total grant and rebate money to be awarded in
32 that year is less than the total grant money available for that year, the department may
33 increase the 10% and 15% funding levels established under this paragraph, but not to
34 exceed 40% of the fund.

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

39 A. The improvement of the State's air quality;

40 B. The fulfillment of the State's responsibilities under the Clean Air Act, 69 Stat.
41 322, 42 United States Code, Section 7401, et seq.;

- 1 C. The protection of the State's natural environment, including land, water and
2 wildlife;
- 3 D. The advancement of economic development in the State and the promotion of the
4 State's indigenous resources;
- 5 E. The reduction of the State's dependence on imported crude oil and other
6 petroleum products;
- 7 F. The most cost-effective use of private and public funding; and
- 8 G. The transfer and commercialization of innovative alternative energy technologies.

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

11 A. The department shall establish a formula and method for the awarding of rebates
12 under this program. The department shall publish this information annually. Rebates
13 must be provided to the extent that funding is available for this purpose. To the
14 extent that applications for rebates exceed the available funds for this program, the
15 department may award rebates on a pro rata basis.

16 B. A request for a rebate must be submitted to the department no later than 6 months
17 after the purchase date of a hybrid vehicle in a form and manner prescribed by the
18 department. The department shall provide an application form to an individual upon
19 request, and the department may make the application form available on its publicly
20 accessible site on the Internet or through the place of purchase of hybrid vehicles.

21 C. Applicants shall provide a copy of a valid Maine vehicle registration and proof of
22 purchase when making a request for a rebate under this program.

23 **§3107. Annual report**

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

28 **§3108. Interfund transfer**

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

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

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

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

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

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

15 **§3109. Assessment**

16 Every public utility, as defined in Title 35-A, section 102, subsection 13, and
17 competitive service provider, as defined in Title 35-A, section 102, subsection 2-A, is
18 subject to an assessment on its intrastate gross operating revenues to produce a total of
19 \$3,000,000 in revenues annually for the purpose of carrying out the provisions of this
20 chapter. The Public Utilities Commission shall determine the assessments annually prior
21 to May 1st and assess each public utility and competitive service provider for its pro rata
22 share for the next fiscal year. Each public utility and competitive service provider shall
23 pay the assessment on or before July 1st of each year. Pursuant to Title 35-A, section
24 122, revenue raised under this section must be transferred by the Public Utilities
25 Commission to the Alternative Fuels Incentive Fund established under section 3106. The
26 Public Utilities Commission shall adopt rules to implement this section. Rules adopted
27 pursuant to this section are routine technical rules as defined in Title 5, chapter 375,
28 subchapter 2-A.

29 **§3110. Rules**

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

33 **SUMMARY**

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