

**GENERAL ASSEMBLY OF NORTH CAROLINA**  
**SESSION 2005**

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**HOUSE BILL 1682**

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

Sponsors: Representatives Harrison, Martin (Primary Sponsors); Coleman, Glazier, Insko, McMahan, and Ross.

Referred to: Finance.

May 12, 2005

A BILL TO BE ENTITLED

1  
2 AN ACT TO GAIN ENERGY INDEPENDENCE AND IMPROVE AIR QUALITY  
3 BY ESTABLISHING GOALS FOR ALTERNATIVE FUEL AND ADVANCED  
4 TECHNOLOGY VEHICLE USE BY MOTOR VEHICLES IN THE STATE  
5 FLEET AND BY ESTABLISHING A BANKING AND SELLING PROGRAM  
6 FOR CREDITS ISSUED UNDER THE FEDERAL ENERGY POLICY ACT IN  
7 ORDER TO GENERATE FUNDS TO BE USED TOWARD THE PURCHASE OF  
8 ALTERNATIVE FUELS AND ALTERNATIVE FUELED VEHICLES AND FOR  
9 INFRASTRUCTURE DEVELOPMENT BY STATE DEPARTMENTS,  
10 INSTITUTIONS, AND AGENCIES.

11 The General Assembly of North Carolina enacts:

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

14 "**§ 143-58.4. Alternative fuel use credits program.**

15 (a) Goal. – The State fleet shall accrue a total of 2,000,000 alternative fuel use  
16 credits during each calendar year 2006 and 2007. The State fleet shall accrue a total of  
17 5,000,000 alternative fuel use credits during each calendar year 2008 and 2009. The  
18 State fleet shall accrue a total of 10,000,000 alternative fuel use credits during the  
19 calendar year 2010 and each calendar year thereafter.

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

27 (c) Report. – No later than March 1 of each year, the State Energy Office shall  
28 submit an annual status report to the General Assembly covering participation in and

1 compliance with the goals under subsection (a) of this section by each State department,  
2 institution, and agency.

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

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

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

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

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

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

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

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

29 a. Biodiesel (B100).

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

32 c. Ethanol (E100).

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

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

37 f. Compressed natural gas.

38 g. Propane.

39 h. Hydrogen.

40 (2) 'Advanced technology vehicle' means:

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

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

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

7   **"§ 143-58.5. Energy credit banking and selling program.**

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

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

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

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

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

29           (3) 'Energy Policy Act' means the federal Energy Policy Act, 42 U.S.C.  
30           § 13201, et seq.

31           (4) 'EAct credit' means a credit issued pursuant to the Energy Policy Act.

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

38   **"§ 143-58.6. Alternative Fuel Revolving Fund.**

39           (a) The Alternative Fuel Revolving Fund is created and shall be held by the State  
40           Treasurer. The Fund shall consist of moneys received from the sale of EAct credits  
41           under G.S. 143-58.5, any moneys appropriated to the Fund by the General Assembly,  
42           and any moneys obtained or accepted by the Department for deposit into the Fund. The  
43           Fund shall be managed to maximize benefits to the State for the purchase of alternative  
44           fuel, related refueling infrastructure, and AFV purchases. To the extent possible,

1 benefits from the sale of EAct credits shall be distributed to State departments,  
2 institutions, and agencies in proportion to the number of EAct credits generated by  
3 each. No portion of the Fund shall be transferred to the General Fund, and any  
4 appropriation made to the Fund shall not revert. The State Treasurer shall invest moneys  
5 in the Fund in the same manner as other funds are invested. Interest and moneys earned  
6 on such investments shall be credited to the Fund.

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

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

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

17 **"§ 136-28.13. Participation in alternative fuel use credits program.**

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

21 **"§ 136-28.14. Participation in the energy credit banking and selling program.**

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

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

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

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

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

41 2a. To participate in the alternative fuel use credits program  
42 under G.S. 143-58.4.

43 2b. To participate in the energy credit banking and selling  
44 program under G.S. 143-58.5. The Department of

