

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005**

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SENATE BILL 2051

Short Title: Energy Independence Act. (Public)

Sponsors: Senators Albertson, Jenkins, Cowell, and Kinnaird.

Referred to: Agriculture/Environment/Natural Resources.

May 26, 2006

A BILL TO BE ENTITLED

AN ACT TO INCREASE ENERGY INDEPENDENCE IN NORTH CAROLINA BY PROMOTING THE CONSERVATION OF ENERGY AND WATER IN PUBLIC FACILITIES, BY PROMOTING THE USE OF ALTERNATIVE FUELS AND ADVANCED TECHNOLOGY VEHICLES IN STATE FLEETS, BY CREATING VARIOUS ENERGY-RELATED TAX INCENTIVES, AND TO APPROPRIATE FUNDS.

The General Assembly of North Carolina enacts:

PART I. ENERGY CONSERVATION IN STATE AND LOCAL GOVERNMENT FACILITIES; USE OF ALTERNATIVE FUELS IN STATE MOTOR FLEETS

CLARIFY THAT GUARANTEED ENERGY SAVINGS CONTRACTS INCLUDE CONSERVATION MEASURES FOR WATER AND OTHER UTILITIES, RAISE THE CAP FOR, AND EXTEND THE TERM OF, GUARANTEED ENERGY SAVINGS CONTRACTS, EXPAND THE STATE'S ENERGY POLICY AND LIFE-CYCLE COST ANALYSIS TO INCLUDE THE CONSERVATION OF WATER AND OTHER UTILITIES, AND MAKE CONFORMING CHANGES

SECTION 1.1. The title of Article 3B of Chapter 143 of the General Statutes reads as rewritten: "~~Energy Conservation of Energy, Water, and Other Utilities in Public~~ Government Facilities."

SECTION 1.2. G.S. 143-64.17 reads as rewritten:

"§ 143-64.17. Definitions.

As used in this Part:

- (1) "Energy conservation measure" means a facility alteration, training, or services related to the operation of the facility, when the alteration,

1 training, or services provide anticipated energy savings. Energy
2 conservation measure includes any of the following:

- 3 a. Insulation of the building structure and systems within the
4 building.
- 5 b. Storm windows or doors, caulking, weatherstripping,
6 multiglazed windows or doors, heat-absorbing or heat-reflective
7 glazed or coated window or door systems, additional glazing,
8 reductions in glass area, or other window or door system
9 modifications that reduce energy consumption.
- 10 c. Automatic energy control systems.
- 11 d. Heating, ventilating, or air-conditioning system modifications
12 or replacements.
- 13 e. Replacement or modification of lighting fixtures to increase the
14 energy efficiency of a lighting system without increasing the
15 overall illumination of a facility, unless an increase in
16 illumination is necessary to conform to the applicable State or
17 local building code or is required by the light system after the
18 proposed modifications are made.
- 19 f. Energy recovery systems.
- 20 g. Cogeneration systems that produce steam or forms of energy
21 such as heat, as well as electricity, for use primarily within a
22 building or complex of buildings.
- 23 ~~h. Other energy conservation measures.~~
- 24 i. Faucets with automatic or metered shut-off valves, leak
25 detection equipment, water recycling equipment, and
26 wastewater recovery systems.
- 27 j. Other energy conservation measures that conserve energy,
28 water, or other utilities.

29 (2) "Energy savings" means a measured reduction in fuel costs, energy
30 costs, water costs, stormwater fees, other utility costs, or operating
31 ~~costs—costs, including environmental discharge fees and water and~~
32 sewer maintenance fees, created from the implementation of one or
33 more energy conservation measures when compared with an
34 established baseline of previous ~~fuel costs, energy costs, or operating~~
35 ~~costs~~such costs developed by the governmental unit.

36 (2a) "Governmental unit" means either a local governmental unit or a State
37 governmental unit.

38 (3) "Guaranteed energy savings contract" means a contract for the
39 evaluation, recommendation, or implementation of energy
40 conservation measures, including the design and installation of
41 equipment or the repair or replacement of existing equipment, in which
42 all payments, except obligations on termination of the contract before
43 its expiration, are to be made over time, and in which energy savings
44 are guaranteed to exceed costs.

- 1 (4) "Local governmental unit" means any board or governing body of a
- 2 political subdivision of the State, including any board of a community
- 3 college, any school board, or an agency, commission, or authority of a
- 4 political subdivision of the State.
- 5 (5) "Qualified provider" means a person or business experienced in the
- 6 design, implementation, and installation of energy conservation
- 7 measures.
- 8 (6) "Request for proposals" means a negotiated procurement initiated by a
- 9 governmental unit by way of a published notice that includes the
- 10 following:
- 11 a. The name and address of the governmental unit.
- 12 b. The name, address, title, and telephone number of a contact
- 13 person in the governmental unit.
- 14 c. Notice indicating that the governmental unit is requesting
- 15 qualified providers to propose energy conservation measures
- 16 through a guaranteed energy savings contract.
- 17 d. The date, time, and place where proposals must be received.
- 18 e. The evaluation criteria for assessing the proposals.
- 19 f. A statement reserving the right of the governmental unit to
- 20 reject any or all the proposals.
- 21 g. Any other stipulations and clarifications the governmental unit
- 22 may require.
- 23 (7) "State governmental unit" means the State or a department, an agency,
- 24 a board, or a commission of the State, including the Board of
- 25 Governors of The University of North Carolina and its constituent
- 26 institutions."

27 **SECTION 1.3.** G.S. 143-64.17B(a) reads as rewritten:

28 "(a) A governmental unit may enter into a guaranteed energy savings contract

29 with a qualified provider if all of the following apply:

- 30 (1) The term of the contract does not exceed ~~12~~20 years from the date of
- 31 the installation and acceptance by the governmental unit of the energy
- 32 conservation measures provided for under the contract.
- 33 (2) The governmental unit finds that the energy savings resulting from the
- 34 performance of the contract will equal or exceed the total cost of the
- 35 contract.
- 36 (3) The energy conservation measures to be installed under the contract
- 37 are for an existing building."

38 **SECTION 1.4.** G.S. 143-64.17G reads as rewritten:

39 **"§ 143-64.17G. Report on guaranteed energy savings ~~contracts~~contracts entered**

40 **into by local governmental units.**

41 A local governmental unit that enters into a guaranteed energy savings contract must

42 report the contract and the terms of the contract to the Local Government Commission.

43 The Commission shall compile the information and report it biennially to the Joint

44 Commission on Governmental Operations. In compiling the information, the Local

1 Government Commission shall include information on the energy savings expected to
2 be realized from a contract and, with the assistance of the Office of State Construction,
3 shall evaluate whether expected savings have in fact been realized."

4 **SECTION 1.5.** G.S. 143-64.17H reads as rewritten:

5 "**§ 143-64.17H. Guaranteed Report on guaranteed energy savings contract**
6 **reporting requirements, contracts entered into by State governmental**
7 **units.**

8 A State governmental unit that enters into a guaranteed energy savings contract must
9 report the contract and the terms of the contract to the State Energy Office of the
10 Department of Administration within 30 days of the date the contract is entered into. In
11 addition, within 60 days after each annual anniversary date of a guaranteed energy
12 savings contract, the State governmental unit must report the status of the contract to the
13 State Energy Office, including any details required by the State Energy Office. The
14 State Energy Office shall compile the information for each fiscal year and report it to
15 the Joint Legislative Commission on Governmental Operations and to the Local
16 Government Commission annually by December 1. In compiling the information, the
17 State Energy Office shall include information on the energy savings expected to be
18 realized from a contract and shall evaluate whether expected savings have in fact been
19 realized."

20 **SECTION 1.6.** G.S. 142-63 reads as rewritten:

21 "**§ 142-63. Authorization of financing contract.**

22 Subject to the terms and conditions set forth in this Article, a State governmental
23 unit that has solicited a guaranteed energy conservation measure pursuant to
24 G.S. 143-64.17A or G.S. 143-64.17B or the State Treasurer, as designated by the
25 Council of State, is authorized to execute and deliver, for and on behalf of the State of
26 North Carolina, a financing contract to finance the costs of the energy conservation
27 measure. The aggregate principal amount payable by the State under financing contracts
28 entered pursuant to this Article shall not exceed ~~fifty million dollars (\$50,000,000)~~ one
29 hundred million dollars (\$100,000,000) at any one time."

30 **SECTION 1.7.** G.S. 142-64(b)(2) reads as rewritten:

31 "(2) The Council of State has approved the execution and delivery of the
32 financing contract by resolution that sets forth all of the following:

- 33 a. The not-to-exceed term or final maturity of the financing
34 contract, which shall be no later than ~~12 years from the date the~~
35 ~~financing contract is entered.~~ 20 years from the date of
36 acceptance of the project.
- 37 b. The not-to-exceed interest rate or rates (or the equivalent
38 thereof), which may be fixed or vary over a period of time, with
39 respect to the financing contract.
- 40 c. The appropriate officers of the State to execute and deliver the
41 financing contract and all other documentation relating to it."

42 **SECTION 1.8.** G.S. 143-64.10 reads as rewritten:

43 "**§ 143-64.10. Findings; policy.**

- 44 (a) The General Assembly ~~hereby finds:~~ finds all of the following:

- 1 (1) That the State shall take a leadership role in aggressively undertaking
2 ~~energy~~ the conservation of energy, water, and other utilities in North
3 ~~Carolina; Carolina.~~
- 4 (2) That State facilities have a significant impact on the State's
5 consumption of ~~energy;~~ energy, water, and other utilities.
- 6 (3) That ~~energy conservation~~ practices to conserve energy, water, and
7 other utilities that are adopted for the design, construction, operation,
8 maintenance, and renovation of these facilities and for the purchase,
9 operation, and maintenance of equipment for these facilities will have
10 a beneficial effect on the State's overall supply of ~~energy;~~ energy,
11 water, and other utilities.
- 12 (4) That the cost of the ~~energy~~ energy, water, and other utilities consumed
13 by these facilities and the equipment for these facilities over the life of
14 the facilities shall be considered, in addition to the initial ~~cost;~~ cost.
- 15 (5) That the cost of ~~energy~~ energy, water, and other utilities is significant
16 and facility designs shall take into consideration the total life-cycle
17 cost, including the initial construction cost, and the cost, over the
18 economic life of the facility, of the ~~energy~~ energy, water, and other
19 utilities consumed, and of operation and maintenance of the facility as
20 it affects ~~energy consumption; and~~ the consumption of energy, water,
21 or other utilities.
- 22 (6) That State government shall undertake a program to reduce ~~energy~~ the
23 use of energy, water, and other utilities in State facilities and
24 equipment in those facilities in order to provide its citizens with an
25 example of ~~energy use~~ energy-use, water-use, and utility-use
26 efficiency.
- 27 (b) It is the policy of the State of North Carolina to ensure that ~~energy~~
28 ~~conservation~~ practices to conserve energy, water, and other utilities are employed in the
29 design, construction, operation, maintenance, and renovation of State facilities and in
30 the purchase, operation, and maintenance of equipment for State facilities."

31 **SECTION 1.9.** G.S. 143-64.11(2) reads as rewritten:

32 "(2) "Energy-consumption analysis" means the evaluation of all energy-
33 consuming ~~systems~~ systems, including systems that consume water or
34 other utilities, and components of these systems by demand and type
35 of ~~energy,~~ energy or other utility use, including the internal energy load
36 imposed on a facility by its occupants, equipment and components,
37 and the external energy load imposed on the facility by climatic
38 conditions."

39 **SECTION 1.10.** G.S. 143-64.11(2b) reads as rewritten:

40 "(2b) "Energy-consuming system" includes but is not limited to any of the
41 following equipment or measures:
42 a. Equipment used to heat, cool, or ventilate the facility;
43 b. Equipment used to heat water in the facility;
44 c. Lighting systems;

- 1 d. On-site equipment used to generate electricity for the facility;
2 e. On-site equipment that uses the sun, wind, oil, natural gas,
3 liquid propane gas, coal, or electricity as a power source; and
4 f. Energy conservation ~~measures—~~measures, as defined in
5 G.S. 143-64.17, in the facility design and construction that
6 decrease the ~~energy—~~energy, water, or other utility requirements
7 of the facility."

8 **SECTION 1.11.** G.S. 143-64.11(3) reads as rewritten:

9 "(3) "Facility" means a building or a group of buildings served by a central
10 ~~energy—~~distribution system for energy, water, or other utility or
11 components of a central ~~energy—~~distribution system."

12 **SECTION 1.12.** G.S. 143-64.12 reads as rewritten:

13 **"§ 143-64.12. Authority and duties of State agencies.**

14 (a) The General Assembly authorizes and directs that State agencies shall carry
15 out the construction and renovation of State facilities, under their jurisdiction in such a
16 manner as to further the policy declared herein, ensuring the use of life-cycle cost
17 analyses and ~~energy conservation practices—~~practices to conserve energy, water, and
18 other utilities.

19 (b) The Department of Administration shall develop and implement policies,
20 procedures, and standards to ensure that State purchasing practices improve ~~energy~~
21 efficiency regarding energy, water, and other utility use and take the cost of the product
22 over the economic life of the product into consideration. The Department of
23 Administration shall adopt and implement Building Energy Design Guidelines. These
24 guidelines shall include energy-use goals and standards, economic assumptions for
25 life-cycle cost analysis, and other criteria on building systems and technologies. The
26 Department of Administration shall modify the design criteria for construction and
27 renovation of facilities to require that a life-cycle cost analysis be conducted pursuant to
28 G.S. 143-64.15. The Department of Administration, as part of the Facilities Condition
29 and Assessment Program, shall identify and recommend energy conservation
30 maintenance and operating procedures that are designed to reduce energy consumption
31 within the facility and that require no significant expenditure of funds. State
32 departments, institutions, or agencies shall implement these recommendations. Where
33 energy management equipment is proposed for State facilities, the maximum
34 interchangeability and compatibility of equipment components shall be required.

35 The Department of Administration shall develop a comprehensive ~~energy~~
36 management—program to manage energy, water, and other utility use for State
37 government. Each State agency shall develop and implement ~~an energy—~~a management
38 plan that is consistent with the State's comprehensive ~~energy—management~~
39 program—program to manage energy, water, and other utility use.

40 (c) through (g) Repealed by Session Laws 1993, c. 334, s. 4."

41 **SECTION 1.13.** G.S. 143-64.15 reads as rewritten:

42 **"§ 143-64.15. Life-cycle cost analysis.**

43 (a) A life-cycle cost analysis shall include, but not be limited to, all of the
44 following elements:

- 1 (1) The coordination, orientation, and positioning of the facility on its
2 physical ~~site;~~site.
- 3 (2) The amount and type of fenestration employed in the ~~facility;~~facility.
- 4 (3) Thermal characteristics of materials and the amount of insulation
5 incorporated into the facility ~~design;~~design.
- 6 (4) The variable occupancy and operating conditions of the facility,
7 including illumination ~~levels;~~ and levels.
- 8 (5) Architectural features ~~which—that~~ affect energy—consumption.the
9 consumption of energy, water, and other utilities.

10 (b) The life-cycle cost analysis performed for any State facility shall, in addition
11 to the requirements set forth in subsection (a) of this section, include, but not be limited
12 to, all of the following:

- 13 (1) An energy-consumption analysis of the facility's energy-consuming
14 systems in accordance with the provisions of subsection (g) of this
15 ~~section;~~section.
- 16 (2) The initial estimated cost of each energy-consuming system being
17 compared and ~~evaluated;~~evaluated.
- 18 (3) The estimated annual operating cost of all utility
19 ~~requirements;~~requirements.
- 20 (4) The estimated annual cost of maintaining each energy-consuming
21 ~~system;~~ and system.
- 22 (5) The average estimated replacement cost for each system expressed in
23 annual terms for the economic life of the facility.

24 (c) ~~The General Assembly requires each~~Each entity ~~to—shall~~ conduct a life-cycle
25 cost analysis pursuant to this section for the construction or the renovation of any State
26 facility or State-assisted facility of 20,000 or more gross square feet. For the
27 replacement of heating, ventilation, and air conditioning equipment in any State facility
28 or State-assisted facility of 20,000 or more gross square feet, the entity shall conduct a
29 life-cycle cost analysis of the replacement equipment pursuant to this section when the
30 replacement is financed under a guaranteed energy savings contract or financed using
31 repair and renovation funds.

32 (d) The life-cycle cost analysis shall be certified by a registered professional
33 engineer or bear the seal of a North Carolina registered architect, or both. The engineer
34 or architect shall be particularly qualified by training and experience for the type of
35 work involved, but shall not be employed directly or indirectly by a fuel provider, utility
36 company, or group supported by fuel providers or utility funds. Plans and specifications
37 for facilities involving public funds shall be designed in conformance with the
38 provisions of G.S. 133-1.1.

39 (e) In order to protect the integrity of historic buildings, no provision of this
40 Article shall be interpreted to require the implementation of ~~energy—cost~~ measures to
41 conserve energy, water, or other utility use that conflict with respect to any property
42 eligible for, nominated to, or entered on the National Register of Historic Places,
43 pursuant to the National Historic Preservation Act of 1966, P.L. 89-665; any historic
44 building located within an historic district as provided in Chapters 160A or 153A of the

1 General Statutes; any historic building listed, owned, or under the jurisdiction of an
2 historic properties commission as provided in Chapter 160A or 153A; nor any historic
3 property owned by the State or assisted by the State.

4 (f) Each State agency shall use the life-cycle cost analysis over the economic life
5 of the facility in selecting the optimum system or combination of systems to be
6 incorporated into the design of the facility.

7 (g) The energy-consumption analysis of the operation of energy-consuming
8 systems utilities in a facility shall include, but not be limited to, all of the following:

9 (1) The comparison of two or more system ~~alternatives;~~alternatives.

10 (2) The simulation or engineering evaluation of each system over the
11 entire range of operation of the facility for a year's operating ~~period;~~
12 and period.

13 (3) The engineering evaluation of the ~~energy consumption of energy,~~
14 water, and other utilities of component equipment in each system
15 considering the operation of such components at other than full or
16 rated outputs."
17

18 ESTABLISH GOALS FOR THE USE OF ALTERNATIVE FUELS AND 19 ADVANCED TECHNOLOGY VEHICLES FOR STATE-OWNED 20 VEHICLES 21

22 SECTION 1.14. Article 3 of Chapter 143 of the General Statutes is amended
23 by adding a new section to read:

24 "§ 143-58.6. Alternative fuel use credits program.

25 (a) Goal. – The State fleet shall accrue a total of 2,000,000 alternative fuel use
26 credits during each calendar year 2006 and 2007. The State fleet shall accrue a total of
27 5,000,000 alternative fuel use credits during each calendar year 2008 and 2009. The
28 State fleet shall accrue a total of 10,000,000 alternative fuel use credits during the
29 calendar year 2010 and each calendar year thereafter.

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

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

40 (d) Monitoring. – In 2010, the General Assembly shall examine the program
41 under this section for cost and effectiveness. At such time that the State Energy Office
42 determines by rule that the prices of alternative fuels exceed the cost of gasoline and
43 diesel fuel to a degree that renders the program under this section impracticable and
44 unreasonable, the requirements of this section shall be suspended until such time that

1 the State Energy Office determines by rule that the prices of alternative fuels no longer
2 render the program impracticable and unreasonable.

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

5 (1) Subject to subdivision (2) of this subsection, one alternative fuel credit
6 accrues for each one gallon of one hundred percent (100%) alternative
7 fuel utilized by a State fleet vehicle. When alternative fuel is blended
8 with petroleum-based fuel, the alternative fuel credit accrues for each
9 one gallon of alternative fuel utilized by a State vehicle at a rate that is
10 based on the percentage of alternative fuel that is utilized by a State
11 fleet vehicle. (For example, one alternative fuel use credit accrues for
12 every five gallons of B20 that is utilized by a State fleet vehicle.)

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

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

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

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

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

22 a. Biodiesel (B100).

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

25 c. Ethanol (E100).

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

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

30 f. Compressed natural gas.

31 g. Propane.

32 h. Hydrogen.

33 (2) 'Advanced technology vehicle' means:

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

37 b. A low-speed electric vehicle that replaces a gasoline-powered
38 vehicle and that is legal to operate on streets rated for vehicular
39 traffic less than 30 MPH.

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

43 **SECTION 1.15.** Article 2 of Chapter 136 of the General Statutes is amended
44 by adding a new section to read:

1 **"§ 136-28.143. Participation in alternative fuel use credits program.**

2 The Department of Transportation shall participate in the alternative fuel use credits
3 program under G.S. 143-58.4. The Department of Transportation may adopt rules to
4 implement this section."

5 **SECTION 1.16.** G.S. 143-341(8)i. reads as rewritten:

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

- 9 1. To establish and operate central facilities for the
10 maintenance, repair, and storage of state-owned
11 passenger motor vehicles for the use of State agencies; to
12 utilize any available State facilities for that purpose; and
13 to establish such subsidiary facilities as the Secretary
14 may deem necessary.
- 15 2. To acquire passenger motor vehicles by transfer from
16 other State agencies and by purchase. All motor vehicles
17 transferred to or purchased by the Department shall
18 become part of a central motor pool.
- 19 3. To participate in the alternative fuel use credits program
20 under G.S. 143-58.4."

21
22 **REDUCE AND DISPLACE PETROLEUM PRODUCTS IN STATE-OWNED**
23 **VEHICLE FLEETS**

24
25 **SECTION 1.17.** Article 3B of Chapter 143 of the General Statutes is
26 amended by adding a new Part to read:

27 "Part 3. Reduction and Displacement of Petroleum Product Dependence.

28 **"§ 143-64.18. State Motor Fleet to reduce dependence on petroleum products.**

29 (a) All State agencies, universities, and community colleges that have
30 State-owned vehicle fleets shall develop and implement plans to improve the State's use
31 of alternative fuels, synthetic lubricants, and efficient vehicles. The plans shall achieve a
32 twenty percent (20%) reduction or displacement of the current petroleum products
33 consumed by January 1, 2010. Before implementation of any plan, all affected agencies
34 shall report their plan to the Department of Administration. The Department of
35 Administration shall compile a report on the plans submitted and report to the Joint
36 Legislative Commission on Governmental Operations. Agencies shall implement their
37 plans by January 1, 2006. Reductions may be met by petroleum or oils displaced
38 through the use of biodiesel, ethanol, synthetic oils or lubricants, other alternative fuels,
39 the use of hybrid electric vehicles, other fuel-efficient or low-emission vehicles, or
40 additional methods as may be approved by the State Energy Office, thereby reducing
41 the amount of harmful emissions. The plan shall not impede mission fulfillment of the
42 agency and shall specifically address a long-term cost-benefit analysis, allowances for
43 changes in vehicle usage, total miles driven, and exceptions due to technology,
44 budgetary limitations, and emergencies.

1 (b) For the purposes of this section, a State-owned vehicle fleet consists of more
2 than 10 motor vehicles, as defined by G.S. 20-4.01, that are designed for highway use
3 and titled to one of the aforementioned entities. Specialty vehicles, as defined by
4 G.S. 20-4.01, that are used for educational purposes and vehicles exempted under U.S.
5 Executive Order 13149 are subject to ten percent (10%) reductions.

6 (c) Agencies shall report by September 1, 2006, and annually thereafter on
7 September 1, to the Department of Administration on the efforts undertaken to achieve
8 the reductions. The Department of Administration shall compile and forward a report to
9 the Joint Legislative Commission on Governmental Operations by November 1, 2006,
10 and annually thereafter on November 1, on the agencies' progress in meeting their
11 plans."

12
13 **REQUIRE STATE BUILDINGS, PUBLIC SCHOOL BUILDINGS, AND ANY**
14 **OTHER BUILDINGS THAT RECEIVE FUNDING IN THE STATE**
15 **CAPITAL BUDGET TO BE SUBJECT TO A UTILITY ENERGY**
16 **PURCHASES REDUCTION GOAL**

17
18 **SECTION 1.18.** Article 8 of Chapter 143 of the General Statutes is amended
19 by adding a new section to read:

20 **"§ 143-128.5. Utility energy purchases reduction goal.**

21 Any State department, agency, or institution and any entity that received funding in
22 the State capital budget for a major facility project shall reduce energy purchases from a
23 public utility by twenty percent (20%) by 2015 through cost-effective measures and
24 distributed generation technologies for those facilities constructed with State capital
25 funds."

26
27 **PART II. PROVIDE ENERGY ASSISTANCE FOR LOW-INCOME PERSONS**

28
29 **SECTION 2.1.** Article 3 of Chapter 143B of the General Statutes is
30 amended by adding a new Part to read:

31 "Part 34A. North Carolina Energy Assistance Act for Low-Income Persons.

32 **"§ 143B-216.72A. Legislative findings and purpose.**

33 (a) The General Assembly makes the following findings:

- 34 (1) Maintaining the general health, welfare, and prosperity of the people
35 of this State requires that all citizens receive essential levels of heat
36 and electric service regardless of their economic circumstances.
37 (2) Serving the State's most vulnerable citizens: its low-income elderly,
38 persons with disabilities, families with children, high residential
39 energy users, and households with a high-energy burden, is a priority.
40 (3) Conserving energy benefits all citizens and their environment.
41 (4) Ensuring proper payment to public utilities and other entities providing
42 energy services actually rendered is a responsibility of this State.

1 (5) Declining federal low-income energy assistance funding necessitates a
2 State response to ensure the continuity and further development of
3 energy assistance and related policies and programs in the State.

4 (6) Current energy assistance policies and programs have benefited North
5 Carolina citizens and should be continued with the modifications
6 provided in this Part.

7 (b) The General Assembly declares that it is the policy of the State that
8 weatherization, replacement of heating and cooling systems, and other energy-related
9 assistance programs be utilized to increase the energy efficiency of dwellings owned or
10 occupied by low-income persons, reduce their total residential expenditures, and
11 improve their health and safety. The State shall utilize all appropriate and available
12 means to fund the Weatherization Assistance Program for Low-Income Families and the
13 Heating/Air Repair and Replacement Program under G.S. 108A-70.30, and any other
14 energy-related assistance program for low-income persons while, to the extent possible,
15 identifying and utilizing sources of funding to achieve the objectives of this Part.

16 **"§ 143B-216.72B. Definitions.**

17 The following definitions apply to this Part:

18 (1) Applicant. – A member of the family residing in the dwelling unit, the
19 owner, or designated agent of the owner of a dwelling unit applying
20 for program services.

21 (2) Department. – The Department of Health and Human Services.

22 (3) Secretary. – The Secretary of Health and Human Services.

23 (4) Subgrantee. – An entity managing a weatherization project that
24 receives a federal grant of funds awarded pursuant to 10 C.F.R. § 440
25 from the State or other entity named in the Notification of Grant
26 Award and otherwise referred to as the grantee.

27 (5) Weatherization. – The modification of homes and home heating and
28 cooling systems to improve heating and cooling efficiency by caulking
29 and weather stripping, as well as insulating ceilings, attics, walls, and
30 floors.

31 **"§ 143B-216.72C. The Office of Economic Opportunity designated agency; powers**
32 **and duties.**

33 (a) The Office of Economic Opportunity of the Department shall administer the
34 Weatherization Assistance Program for Low-Income Families established by 42 U.S.C.
35 § 6861, et seq., and 42 U.S.C. § 7101, et seq., the Heating/Air Repair and Replacement
36 Program established by the Secretary under G.S. 108A-70.30, and any other
37 energy-related assistance program for the benefit of low-income persons. The Office of
38 Economic Opportunity shall exercise the following powers and duties:

39 (1) Establish standards and criteria to carry out the provisions and
40 purposes of this Part.

41 (2) Develop policy, criteria, and standards for receiving and processing
42 applications for weatherization assistance.

43 (3) Make decisions and pursue appeals from decisions to accept or deny
44 applications for weatherization, replacement of heating and cooling

- 1 systems, and other energy-related assistance programs or otherwise
2 participate in the State plan as a subgrantee or contractor.
- 3 (4) Adopt, amend, and repeal rules, consistent with the laws of this State,
4 that may be required by the federal government for grants-in-aid for
5 the Weatherization Assistance Program for Low-Income Families, the
6 Heating/Air Repair and Replacement Program, or other energy-related
7 assistance programs. This section shall be liberally construed in order
8 that the State and its citizens may benefit from such grants-in-aid.
- 9 (5) Establish procedures for the submission of periodic reports by any
10 community action agency or other agency or entity authorized to
11 manage a weatherization project, replacement of heating and cooling
12 system, or other energy-related assistance project.
- 13 (6) Implement criteria for periodic review of weatherization, replacement
14 of heating and cooling systems, or other energy-related programs.
- 15 (7) Solicit, accept, hold, and administer on behalf of the State any grants
16 or bequests of money, securities, or property for use by the Department
17 or other agencies in the administration of this Part.
- 18 (8) Adopt rules pursuant to Chapter 150B of the General Statutes.
- 19 (9) Create a Policy Advisory Council within the Office of Economic
20 Opportunity that shall advise the Office of Economic Opportunity with
21 respect to the development and implementation of a Weatherization
22 Program for Low-Income Families, the Heating/Air Repair and
23 Replacement Program, and any other energy-related assistance
24 program for the benefit of low-income persons.
- 25 (b) The Secretary shall have final decision-making authority with regard to all
26 functions described in this Part."

27

28 **PART III. ENERGY TAX INCENTIVES; MOBILE SOURCE EMISSIONS**

29 **REDUCTIONS**

30

31 **CREATE AN INCOME TAX CREDIT FOR ENERGY EFFICIENT HOMES**

32

33 **SECTION 3.1.** Part 1 of Article 4 of Chapter 105 of the General Statutes is
34 amended by adding a new section to read:

35 **"§ 105-130.48. Construction or improvement of energy-efficient home.**

36 (a) Definitions. – The following definitions apply in this section:

- 37 (1) Energy-efficient home. – A one- or two-family home that is a federally
38 qualified energy-efficient home or a State-certified energy-efficient
39 home.
- 40 (2) Federally qualified energy-efficient home. – A residence qualified
41 under the ENERGY STAR Program administered by the United States
42 Environmental Protection Agency.
- 43 (3) State-certified energy-efficient home. – A residence certified under the
44 NC HealthyBuilt Homes Program administered by the North Carolina

1 Solar Center, the State Energy Office, and the North Carolina
2 Department of Administration.

3 (b) Credit. – A taxpayer that builds or manufactures an energy-efficient home or
4 that improves an existing structure so that it becomes an energy-efficient home is
5 allowed a credit against the taxes imposed by this Part. In order to claim a credit under
6 this section, the taxpayer must include with the tax return documentation that the
7 property with respect to which a credit is claimed is an energy-efficient home. The
8 amount of the credit is as follows:

9 (1) For a taxpayer that builds or manufactures a new federally qualified
10 energy-efficient home, the credit is five hundred dollars (\$500.00).

11 (2) For a taxpayer that improves an existing structure so that it becomes a
12 federally qualified energy-efficient home, the credit is equal to the cost
13 of improvements not to exceed one thousand dollars (\$1,000).

14 (3) For a taxpayer that builds or manufactures a new State-certified
15 energy-efficient home, the credit is one thousand five hundred dollars
16 (\$1,500).

17 (4) For a taxpayer that improves an existing structure so that it becomes a
18 State-certified energy-efficient home, the credit is equal to the cost of
19 improvements not to exceed two thousand dollars (\$2,000).

20 (c) Cap. – The credit allowed under this section may not exceed the amount of
21 tax imposed by this Part for the taxable year reduced by the sum of all credits allowable,
22 except tax payments made by or on behalf of the taxpayer. Any unused portion of a
23 credit under this section may be carried forward for the succeeding five years.

24 (d) Sunset. – This section is repealed effective for taxable years beginning on or
25 after January 1, 2011."

26 **SECTION 3.2.** Part 2 of Article 4 of Chapter 105 of the General Statutes is
27 amended by adding a new section to read:

28 "**§ 105-151.30. Construction or improvement of energy-efficient home.**

29 (a) Definitions. – The following definitions apply in this section:

30 (1) Energy-efficient home. – A one- or two-family home that is a federally
31 qualified energy-efficient home or a State-certified energy-efficient
32 home.

33 (2) Federally qualified energy-efficient home. – A residence qualified
34 under the ENERGY STAR Program administered by the United States
35 Environmental Protection Agency.

36 (3) State-certified energy-efficient home. – A residence certified under the
37 NC HealthyBuilt Homes Program administered by the North Carolina
38 Solar Center, the State Energy Office, and the North Carolina
39 Department of Administration.

40 (b) Credit. – A taxpayer that builds or manufactures an energy-efficient home or
41 that improves an existing structure so that it becomes an energy-efficient home is
42 allowed a credit against the taxes imposed by this Part. In order to claim a credit under
43 this section, the taxpayer must include with the tax return documentation that the

1 property with respect to which a credit is claimed is an energy-efficient home. The
2 amount of the credit is as follows:

- 3 (1) For a taxpayer that builds or manufactures a new federally qualified
4 energy-efficient home, the credit is five hundred dollars (\$500.00).
5 (2) For a taxpayer that improves an existing structure so that it becomes a
6 federally qualified energy-efficient home, the credit is equal to the cost
7 of improvements not to exceed one thousand dollars (\$1,000).
8 (3) For a taxpayer that builds or manufactures a new State-certified
9 energy-efficient home, the credit is one thousand five hundred dollars
10 (\$1,500).
11 (4) For a taxpayer that improves an existing structure so that it becomes a
12 State-certified energy-efficient home, the credit is equal to the cost of
13 improvements not to exceed two thousand dollars (\$2,000).

14 (c) Cap. – The credit allowed under this section may not exceed the amount of
15 tax imposed by this Part for the taxable year reduced by the sum of all credits allowable,
16 except tax payments made by or on behalf of the taxpayer. Any unused portion of a
17 credit under this section may be carried forward for the succeeding five years.

18 (d) Sunset. – This section is repealed effective for taxable years beginning on or
19 after January 1, 2011."

20 **SECTION 3.3.** Part 2 of Article 4 of Chapter 105 of the General Statutes is
21 amended by adding a new section to read:

22 **"§ 105-151.31. Purchase of energy-efficient home.**

23 (a) Definitions. – The following definitions apply in this section:

- 24 (1) Energy-efficient home. – A one- or two-family home that is a federally
25 qualified energy-efficient home or a State-certified energy-efficient
26 home.
27 (2) Federally qualified energy-efficient home. – A residence qualified
28 under the ENERGY STAR Program administered by the United States
29 Environmental Protection Agency.
30 (3) State-certified energy-efficient home. – A residence certified under the
31 NC HealthyBuilt Homes Program administered by the North Carolina
32 Solar Center, the State Energy Office, and the North Carolina
33 Department of Administration.

34 (b) Credit. – A taxpayer that purchases an energy-efficient home is allowed a
35 credit against the taxes imposed by this Part in the amount of five hundred dollars
36 (\$500.00).

37 (c) Cap. – The credit allowed under this section may not exceed the amount of
38 tax imposed by this Part for the taxable year reduced by the sum of all credits allowable,
39 except tax payments made by or on behalf of the taxpayer. Any unused portion of a
40 credit under this section may be carried forward for the succeeding five years.

41 (d) No Double Benefit. – A taxpayer that claims a credit under this section may
42 not also claim a credit under G.S. 105-151.29 with respect to the same property.

43 (e) Sunset. – This section is repealed effective for taxable years beginning on or
44 after January 1, 2011."

1 **SECTION 3.4.** Section 3.1 through Section 3.3 of this act become effective
2 for taxable years beginning on or after January 1, 2007, and apply to homes that receive
3 the qualification or certification on or after that date. This section of this act is effective
4 when it becomes law.

5
6 **EXEMPT BIODIESEL, FUEL ALCOHOL, AND GASOHOL FROM STATE**
7 **MOTOR FUEL EXCISE TAX**

8
9 **SECTION 3.5.** G.S. 105-449.60 reads as rewritten:

10 **"§ 105-449.60. Definitions.**

11 The following definitions apply in this Article:

12 (1) Biodiesel. – Any fuel ~~or mixture of fuels~~ derived in whole ~~or in part~~
13 from agricultural products or animal fats or wastes from these products
14 or fats.

15 ...

16 (7) Diesel fuel. – Any liquid, other than gasoline, that is suitable for use as
17 a fuel in a diesel-powered highway vehicle. The term includes
18 ~~biodiesel,~~ fuel oil, heating oil, high-sulfur dyed diesel fuel, and
19 kerosene. The term does not include jet fuel sold to a buyer who is
20 certified to purchase jet fuel under the ~~Code.~~Code or biodiesel.

21 ...

22 (15) Gasoline. – Any of the following:

23 a. All products that are commonly or commercially known or sold
24 as gasoline and are suitable for use as a fuel in a highway
25 vehicle, other than products that have an American Society for
26 Testing Materials octane number of less than 75 as determined
27 by the motor method.

28 b. A petroleum product component of gasoline, such as naphtha,
29 reformate, or toluene.

30 ~~e. Gasohol.~~

31 ~~d. Fuel alcohol.~~

32 The term does not include aviation gasoline sold for use in an aircraft
33 ~~motor.~~ motor, gasohol, or fuel alcohol. 'Aviation gasoline' is gasoline
34 that is designed for use in an aircraft motor and is not adapted for use
35 in an ordinary highway vehicle.

36 ...

37 (31) Supplier. – Any of the following:

38 a. A position holder or a person who receives motor fuel pursuant
39 to a two-party exchange.

40 ~~b. A fuel alcohol provider.~~

41 ~~e. A biodiesel provider.~~

42 d. A refiner.

43 (32) System transfer. – Either of the following:

44 a. A transfer of motor fuel within the terminal transfer system.

1 b. A transfer, by transport truck or railroad tank car, of biodiesel
2 or fuel grade ethanol.

3 ..."

4 **SECTION 3.6.** G.S. 105-449.72(a)(2) reads as rewritten:

5 "(2) For an applicant for a license as any of the following, the amount is
6 two times the applicant's average expected monthly tax liability under
7 this Article, as determined by the Secretary. The amount may not be
8 less than two thousand dollars (\$2,000) and may not be more than five
9 hundred thousand dollars (\$500,000):

10 a. ~~A supplier that is a fuel alcohol provider or a biodiesel provider~~
11 ~~but is neither a position holder nor a person that receives motor~~
12 ~~fuel pursuant to a two-party exchange.~~

13 b. An occasional importer.

14 c. A tank wagon importer.

15 d. A distributor.

16 e. Repealed by Session Laws 1997-60, s. 5, effective October 5,
17 1997."

18 **SECTION 3.7.** G.S. 105-449.81 reads as rewritten:

19 "**§ 105-449.81. Excise tax on motor fuel.**

20 An excise tax at the motor fuel rate is imposed on motor fuel that is:

21 (1) Removed from a refinery or a terminal and, upon removal, is subject to
22 the federal excise tax imposed by § 4081 of the Code.

23 (2) Imported by a system transfer to a refinery or a terminal and, upon
24 importation, is subject to the federal excise tax imposed by § 4081 of
25 the Code.

26 (3) Imported by a means of transfer outside the terminal transfer system
27 for sale, use, or storage in this State and would have been subject to
28 the federal excise tax imposed by § 4081 of the Code if it had been
29 removed at a terminal or bulk plant rack in this State instead of
30 imported.

31 ~~(3a) Fuel alcohol or biodiesel, if it meets either of the following~~
32 ~~descriptions:~~

33 a. ~~Is removed from a terminal or another storage and distribution~~
34 ~~facility, unless the removed fuel is received by a supplier for~~
35 ~~subsequent sale.~~

36 b. ~~Is imported to this State outside the terminal transfer system by~~
37 ~~a means other than a marine vessel, a transport truck, or a~~
38 ~~railroad tank car.~~

39 (4) Blended fuel—fuel, other than a blend of motor fuel with biodiesel or
40 fuel alcohol, made in this State or imported to this State.

41 (5) Transferred within the terminal transfer system and, upon transfer, is
42 subject to the federal excise tax imposed by section 4081 of the Code."

43 **SECTION 3.8.** G.S. 105-449.83A is repealed.

44 **SECTION 3.9.** G.S. 119-15 reads as rewritten:

1 **"§ 119-15. Definitions that apply to Article.**

2 The following definitions apply in this Article:

3 (1) Alternative fuel. – Defined in G.S. 105-449.130.

4 (1a) Biodiesel. – Defined in G.S. 105-449.60.

5 (1b) Biodiesel provider. – Defined in G.S. 105-449.60.

6 (1c) Blended fuel. – Defined in G.S. 105-449.60.

7 (1d) Blender. – Defined in G.S. 105-449.60.

8 ~~(1a)~~(1e) Dyed diesel fuel. – Defined in G.S. 105-449.60.

9 ~~(1b)~~(1f) Dyed diesel fuel distributor. – A person who acquires dyed diesel
10 fuel from either of the following:

11 a. A person who is not required to be licensed under Part 2 of
12 Article 36C of Chapter 105 of the General Statutes and who
13 maintains storage facilities for dyed diesel fuel to be used for
14 nonhighway purposes.

15 b. Another dyed diesel fuel distributor.

16 (1g) Fuel alcohol. – Defined in G.S. 105-449.60.

17 (1h) Fuel alcohol provider. – Defined in G.S. 105-449.60.

18 ..."

19 **SECTION 3.10.** G.S. 119-15.3(a) reads as rewritten:

20 (a) Initial Bond. – ~~An~~A biodiesel provider, a fuel alcohol provider, and an
21 applicant for a license as a kerosene supplier, kerosene distributor, or kerosene terminal
22 operator must file with the Secretary of Revenue a bond or an irrevocable letter of
23 credit. A bond or irrevocable letter of credit must be conditioned upon compliance with
24 the requirements of this Article, be payable to the State, and be in the form required by
25 the Secretary. The amount of the bond or irrevocable letter of credit may not be less
26 than five hundred dollars (\$500.00) and may not be more than twenty thousand dollars
27 (\$20,000)."

28 **SECTION 3.11.** G.S. 119-18(a) reads as rewritten:

29 "(a) Tax. – An inspection tax of one fourth of one cent (1/4 of 1¢) per gallon is
30 levied upon all of the fuel listed in this subsection regardless of whether the fuel is
31 exempt from the per-gallon excise tax imposed by Article 36C or 36D of Chapter 105 of
32 the General Statutes. The inspection tax on motor fuel-fuel, other than blended fuel that
33 is not subject to the tax under G.S. 105-449.81(4), is due and payable to the Secretary of
34 Revenue at the same time that the per gallon excise tax on motor fuel is due and payable
35 under Article 36C of Chapter 105 of the General Statutes. The inspection tax on
36 alternative fuel is due and payable to the Secretary of Revenue at the same time that the
37 excise tax on alternative fuel is due and payable under Article 36D of Chapter 105 of
38 the General Statutes. The inspection tax on kerosene is payable monthly to the Secretary
39 by a supplier that is licensed under Part 2 of Article 36C of Chapter 105 of the General
40 Statutes and by a kerosene supplier. A monthly report is due by the 22nd of each month
41 and applies to kerosene sold during the preceding month by a supplier licensed under
42 that Part and to kerosene received during the preceding month by a kerosene supplier.
43 The inspection tax on blended fuel that is not subject to the tax under
44 G.S. 105-449.81(4), biodiesel, and fuel alcohol is payable monthly to the Secretary by a

1 blender, a biodiesel provider, and a fuel alcohol provider. A monthly report is due by
2 the 22nd of each month and applies to blended fuel that is not subject to the tax under
3 G.S. 105-449.81(4), biodiesel, and fuel alcohol sold during the preceding month by a
4 blender, biodiesel provider, or fuel alcohol provider. A kerosene terminal operator must
5 file a return in accordance with the provisions of G.S. 105-449.100.

6 (1) Motor fuel.

7 (2) Alternative fuel used to operate a highway vehicle.

8 (3) Kerosene.

9 (4) Biodiesel.

10 (5) Fuel alcohol."

11 **SECTION 3.12.** The Department of Revenue shall report to the Revenue
12 Laws Study Committee on an annual basis the fiscal impact of the tax exemption for
13 biodiesel, fuel alcohol, and gasohol.

14 **SECTION 3.13.** Section 3.5 through Section 3.12 of this act become
15 effective January 1, 2007.

16 17 **CREATE AN ALTERNATIVE FUELS TAX CREDIT**

18
19 **SECTION 3.14.** Chapter 105 of the General Statutes is amended by adding a
20 new Article to read:

21 "Article 3H.

22 "Alternative Fuel Vehicle Tax Credit.

23 **"§ 105-129.70. Definitions.**

24 The following definitions apply in this Article:

25 (1) Alternative fuel vehicle. – An original equipment manufactured motor
26 vehicle that operates on compressed natural gas, propane, or electricity
27 or a hybrid electric vehicle.

28 (2) Hybrid electric vehicle. – A motor vehicle with a hybrid propulsion
29 system that operates on both electricity and a petroleum-based motor
30 fuel.

31 (3) Long-term lease. – Defined in G.S. 105-187.1.

32 (4) Motor vehicle. – Defined in G.S. 105-164.3.

33 **"§ 105-129.71. Credit for purchasing or leasing an alternative fuel vehicle.**

34 A taxpayer that purchases or leases, pursuant to a long-term lease, a new alternative
35 fuel vehicle is allowed a credit in the amount of two thousand dollars (\$2,000). In order
36 to be eligible for the credit allowed by this section, the vehicle shall have a gross vehicle
37 weight of less than 10,000 pounds and shall be registered in this State. A taxpayer may
38 claim a credit under this section for each qualified purchase or lease. The credit allowed
39 under this section is allowed only to the first individual to take title to the motor vehicle
40 other than for resale. A taxpayer may not take the credit allowed in this section for an
41 alternative fuel vehicle the taxpayer leases from another unless the taxpayer obtains the
42 lessor's written certification that the lessor will not claim a credit under this Article with
43 respect to the alternative fuel vehicle.

44 **"§ 105-129.72. Tax credited; limitations.**

1 (a) Tax Credited. – The credit allowed in this Article is allowed against the
2 franchise tax levied in Article 3 of this Chapter or the income taxes levied in Article 4
3 of this Chapter. The taxpayer shall elect the tax against which a credit will be claimed
4 when filing the return on which the credit is first claimed. This election is binding. Any
5 carryforwards of a credit shall be claimed against the same tax.

6 (b) Limitations. – A credit shall be taken for the taxable year in which the
7 property is purchased or leased. A credit allowed under this Article may not exceed the
8 amount of the tax against which it is claimed for the taxable year reduced by the sum of
9 all credits allowed. Any unused portion of the credit may be carried forward for the
10 succeeding five years.

11 **"§ 105-129.73. Substantiation.**

12 To claim a credit allowed by this Article, the taxpayer shall provide any information
13 required by the Secretary of Revenue. The burden of proving eligibility for a credit and
14 the amount of the credit rests upon the taxpayer, and no credit may be allowed to a
15 taxpayer that fails to maintain adequate records or to make them available for
16 inspection.

17 **"§ 105-129.74. Reports.**

18 The Department of Revenue shall report to the Revenue Laws Study Committee and
19 to the Fiscal Research Division of the General Assembly by May 1 of each year the
20 following information for the 12-month period ending the preceding December 31:

21 (1) The number of vehicles for which taxpayers claimed the credit allowed
22 in this Article, by taxpayer type.

23 (2) The total cost to the General Fund of the credits claimed.

24 **"§ 105-129.75. Sunset.**

25 This Article is repealed effective for alternative fuel vehicles purchased or leased on
26 or after January 1, 2011."
27

28 **ESTABLISH MOBILE SOURCE EMISSIONS REDUCTION PROGRAM**

29
30 **SECTION 3.15.** Article 36 of Chapter 143 of the General Statutes is
31 amended by adding a new Part to read:

32 "Part 4. Mobile Source Emissions Reduction Program.

33 **"§ 143-345.19. Mobile Source Emissions Reduction Program established.**

34 (a) Establishment. – There is established the Mobile Source Emissions Reduction
35 Program in the Department of Administration. The Program is to be administered by the
36 State Energy Office.

37 (b) Purposes. – The Program shall provide for grants for the following purposes:

38 (1) Payments to the first owner, other than for resale, of alternative fuel
39 vehicles and hybrid vehicles.

40 (2) Payments to users of alternative fuel to offset the higher cost of
41 alternative fuel as compared to other motor fuels.

42 (3) Alternative fuel infrastructure projects.

43 (4) Anti-idling technologies approved by the United States Environmental
44 Protection Agency.

(5) Payments for the installation of particulate traps and oxidation catalysts on diesel vehicles.

(c) Definitions. – The following definitions apply in this Part:

(1) Alternative fuel. – Defined in G.S. 105-449.130.

(2) Alternative fuel vehicle. – An original equipment manufactured motor vehicle that operates on an alternative fuel.

(3) Hybrid vehicle. – A motor vehicle with a hybrid propulsion system that operates on both electricity and a petroleum-based motor fuel.

"§ 143-345.19A. Implementation.

The State Energy Office, in consultation with the Department of Environment and Natural Resources, shall adopt rules regarding the implementation of the Mobile Source Emissions Reduction Program. These rules shall be adopted after consultation with the Department of Transportation, the Department of Correction, the Department of Public Instruction, the Department of Revenue, and any other interested parties. The rules adopted by the State Energy Office shall comply with environmental and energy regulations promulgated by the United States Department of Energy and the United States Environmental Protection Agency.

"§ 143-345.19B. Funding.

(a) Funding Source. – The Mobile Source Emissions Reduction Program shall be funded by a surcharge on the annual registration fees of motor vehicles. The surcharge is determined as follows:

(1) For light-duty vehicles, the surcharge is based on the vehicle's Green Vehicle Guide rating, as published by the United States Environmental Protection Agency, in accordance with the following table:

<u>Combined Green Vehicle Guide Score</u>	<u>Surcharge</u>
<u>17-20</u>	<u>\$2.00</u>
<u>13-16</u>	<u>\$5.00</u>
<u>9-12</u>	<u>\$8.00</u>
<u>5-8</u>	<u>\$11.00</u>

(2) For medium- and heavy-duty vehicles, the surcharge is fourteen dollars (\$14.00).

(b) Transfer. – The Division of Motor Vehicles shall collect the surcharge imposed by this section at the time it collects the registration fee. The Division of Motor Vehicles shall transfer funds collected under this section on a quarterly basis to a special revenue fund in the Department of Administration. Funds in this special revenue fund shall be used by the State Energy Office to implement the Program created in this Part.

(c) Administration Allowance. – The State Energy Office and the Division of Motor Vehicles may use up to five percent (5%) of the funds collected under this Part for the administration of this Part.

"§ 143-345.19C. Reports.

The Division of Motor Vehicles shall provide to the State Energy Office quarterly reports of all registered motor vehicles identified by fuel type. The State Energy Office shall provide an annual report on the expenditure of funds under this Part and the

1 number of alternative fuel vehicles and hybrid vehicles registered in this State to the
2 Joint Legislative Transportation Oversight Committee."

3 **SECTION 3.16.** G.S. 143-345.19B, as enacted by Section 3.15 of this act,
4 becomes effective July 1, 2006, and applies to registrations due on or after that date.
5 The remainder of Section 3.15 and this section of this act are effective when the act
6 becomes law. Section 3.15 of this act expires July 1, 2016.

7
8
9 **PART IV. APPROPRIATION**

10
11 **SECTION 4.1.** There is appropriated from the General Fund to the
12 Department of Administration the sum of five hundred thousand dollars (\$500,000) for
13 the 2006-2007 fiscal year for the Energy Policy Council to implement Part I of this act.

14
15 **PART V. EFFECTIVE DATES**

16
17 **SECTION 5.1.** Except as otherwise provided in this act, all other sections of
18 this act are effective when it becomes law.