

## AN ACT

1 Amending the act of November 29, 2004 (P.L.1376, No.178),  
2 entitled "An act relating to alternative fuels; establishing  
3 the Alternative Fuels Incentive Fund; authorizing grants and  
4 rebates to promote the use of alternative fuels; imposing  
5 duties on the Department of Environmental Protection;  
6 providing for an annual report; allocating funds collected  
7 from the utilities gross receipts tax; making an  
8 appropriation; abrogating regulations; and making a repeal,"  
9 further providing for title of act, for short title, for  
10 definitions, for the Alternative Fuels Incentive Fund and for  
11 biomass-based diesel production incentives; and making  
12 editorial changes.

13 The General Assembly of the Commonwealth of Pennsylvania  
14 hereby enacts as follows:

15 Section 1. The title of the act of November 29, 2004  
16 (P.L.1376, No.178), known as the Alternative Fuels Incentive  
17 Act, is amended to read:

## AN ACT

18  
19 Relating to [alternative fuels] compressed natural gas;  
20 establishing the [Alternative Fuels] Keystone Fuel Incentive  
21 Fund; authorizing grants [and rebates] to promote the use of  
22 [alternative fuels] compressed natural gas; imposing duties

on the Department of Environmental Protection; providing for an annual report; allocating funds collected from the utilities gross receipts tax; making an appropriation; abrogating regulations; and making a repeal.

Section 2. Section 1 of the act is amended to read:

Section 1. Short title.

This act shall be known and may be cited as the [Alternative Fuels] Keystone Fuel Incentive Act.

Section 3. Sections 2, 3 and 3.1 of the act, amended or added July 10, 2008 (1st Sp.Sess., P.L.1891, No.2), are amended to read:

Section 2. Definitions.

The following words and phrases when used in this act shall have the meanings given to them in this section unless the context clearly indicates otherwise:

"Accredited laboratory." A laboratory accredited by the American Society for Testing and Materials International.

"Alcohols." Fuels composed of 85% ethanol or methanol and 15% gasoline.

"Alternative energy source." Includes, but is not limited to, any of the following sources of energy: wind, solar photovoltaic, solar thermal, combined heat and power, integrated gasification combined cycle, geothermal, low-impact hydroelectric, biomass, biologically derived methane gas, coal bed methane gas, fuel cells, waste coal and distributed generated systems.

"Alternative fuel producer." A producer of an alternative fuel whose production facility of alternative fuel is located within this Commonwealth.

"Alternative fuel vehicle." A self-propelled vehicle

1 operating on an alternative fuel designed for transporting  
2 persons or property. This term includes a bi-fuel vehicle, dual-  
3 fuel vehicle, hybrid vehicle and dedicated vehicle.

4 "Alternative fuels." Motor vehicle fuels and fuel systems  
5 which when compared to conventional gasoline or reformulated  
6 gasoline, diesel fuel, oil or coal will result in lower  
7 emissions of oxides of nitrogen, volatile organic compounds,  
8 carbon monoxide or particulates, toxic air pollutants,  
9 greenhouse gases or any combination thereof. These shall  
10 include, but are not limited to, compressed natural gas (CNG),  
11 liquefied natural gas (LNG), liquid propane gas (LPG), alcohols  
12 (ethanol - e85 and methanol - m85), hydrogen, hythane (any  
13 combination of CNG and hydrogen), biofuels and electricity.

14 "American Society for Testing and Materials International."  
15 The nonprofit organization which develops consensus standards  
16 for materials, products, systems and services.]

17 "Bi-fuel vehicle\_" [or "dual-fuel vehicle."] A vehicle that  
18 operates on [an alternative fuel] compressed natural gas and  
19 gasoline or [an alternative fuel] compressed natural gas and  
20 diesel fuel and has a minimum fueling capacity of five gasoline  
21 gallon equivalents of compressed natural gas. This term includes  
22 original equipment manufacturer (OEM) and retrofitted vehicles.

23 ["Biodiesel fuel." Either of the following:

24 (1) A biofuel derived from vegetable oils or animal fats  
25 that is designated B100 and meets the American Society of  
26 Testing and Materials International specification D6751.

27 (2) Fuel comprised of 20% biodiesel with 80% diesel fuel  
28 that is designated B20.

29 "Biofuels." Fuels derived from alcohols, ether, esters and  
30 other chemicals made from cellulosic biomass such as herbaceous

1 and woody plants, agricultural and forestry residues and a large  
2 portion of municipal solid and industrial waste.

3 "Biomass-based diesel." The term shall have the meaning set  
4 forth in section 211(o)(1)(D) of the Clean Air Act (69 Stat.  
5 322, 121 Stat. 1519, 42 U.S.C. § 7545(o)(1)(D)) and shall meet  
6 the ASTM Specification D6751 Standard Specification for  
7 Biodiesel Fuel Blend Stock (B100) for Middle Distillate Fuels or  
8 its successor standard.]

9 "Compressed natural gas vehicle." A self-propelled,  
10 dedicated vehicle operating on compressed natural gas designed  
11 for transporting persons or property.

12 "Dedicated vehicle." [A vehicle that runs exclusively on an  
13 alternative fuel. This term includes an original equipment  
14 manufacturer or retrofit vehicle.] A vehicle that is produced by  
15 an original equipment manufacturer or a small volume  
16 manufacturer that operates on 90% or more compressed natural gas  
17 fuel and 10% or less on gasoline or 90% or more on compressed  
18 natural gas fuel and 10% or less on diesel fuel.

19 "Department." The Department of Environmental Protection of  
20 the Commonwealth.

21 ["Diesel fuel." Diesel engine fuel and all other liquids  
22 suitable for the generation of power for the propulsion of motor  
23 vehicles except gasoline.]

24 "Fleet." A group of [ten] five or more vehicles, [comprised  
25 of passenger cars, light-duty trucks, buses and heavy-duty  
26 trucks up to 26,000 pounds gross vehicle weight] that is owned  
27 and operated by a single school district, municipal authority,  
28 political subdivision, nonprofit entity, corporation, limited  
29 liability company or partnership located within this  
30 Commonwealth.

1 "Fund." The [Alternative Fuels] Keystone Fuel Incentive Fund  
2 established under section 3.

3 ["Gallon." The quantity of fluid or liquid at a temperature  
4 of 60 degrees Fahrenheit necessary to completely fill a United  
5 States standard gallon liquid measure.

6 "Gasoline." The same as a motor fuel and also means every  
7 liquid petroleum product, or combination thereof, other than  
8 solvents having an Atmospheric Pressure Index gravity of 46  
9 degrees or above at a temperature of 60 degrees Fahrenheit and  
10 at atmospheric pressure and includes drip, casing head or  
11 natural gasoline. The term includes liquid of less than 46  
12 degrees Atmospheric Pressure Index gravity at a temperature of  
13 60 degrees Fahrenheit compounded, blended, manufactured or  
14 otherwise produced by mixing or blending gasoline or solvents  
15 with blending materials when the blended product can be used for  
16 generating power in internal combustion engines.

17 "Hybrid vehicle." A motor vehicle that draws propulsion  
18 energy from onboard sources of stored energy that are both:

19 (1) An internal combustion engine using combustible  
20 fuel.

21 (2) A rechargeable energy storage system.

22 "Incremental cost." Either of the following:

23 (1) The difference between the purchase price of an  
24 alternative fuel vehicle and the purchase price of a same or  
25 similar model gasoline-only or diesel-only fueled vehicle.

26 (2) The difference between the base price of  
27 conventional diesel fuel and biodiesel fuel.]

28 "Incremental cost." The excess cost of any new compressed  
29 natural gas motor vehicle over the price for a gasoline or  
30 diesel fuel motor vehicle of the same model or cost to retrofit

1 a vehicle to run on compressed natural gas.

2 "OEM." The original equipment manufacturer.

3 "OEM vehicle." A vehicle originally manufactured to run on  
4 [an alternative fuel] compressed natural gas.

5 ["Qualified biomass-based diesel producer." A producer of  
6 25,000 gallons or more of biomass-based diesel per month with  
7 its principal production facility in this Commonwealth that has  
8 complied with the requirements of section 3.1(a)(2) and that is  
9 in compliance with all laws and current in all obligations to  
10 the Commonwealth.

11 "Renewable energy." Energy derived from solar, wind,  
12 geothermal and hydroelectric sources.]

13 "Retrofit." [Install an alternative fuel system into a  
14 gasoline-fueled vehicle] Installation of a compressed natural  
15 gas system into a gasoline-fueled or diesel-fueled vehicle.

16 ["Stationary power facility." A fixed, in-place facility  
17 that generates electric power for distribution into the electric  
18 distribution system or for use onsite as primary power or backup  
19 power for critical need or at adjacent locations not connected  
20 to the electricity grid for primary power.]

21 "Taxi." A motor vehicle designed for carrying no more than  
22 eight passengers, exclusive of the driver, on a call and demand  
23 service, and used for the transportation of persons for  
24 compensation.

25 Section 3. [Alternative Fuels] Keystone Fuel Incentive Fund.

26 (a) Establishment.--There is hereby established a separate  
27 account in the State Treasury to be known as the [Alternative  
28 Fuels] Keystone Fuel Incentive Fund. This fund shall be  
29 administered by the department. The fund shall consist of that  
30 portion of revenues allocated from the utilities gross receipts

1 tax as set forth in section 5.

2 (b) Expenditures.--

3 (1) Moneys from the fund shall be expended by the  
4 department as follows:

5 [(i) As grants to school districts, municipal  
6 authorities, political subdivisions, nonprofit entities,  
7 corporations, limited liability companies or partnerships  
8 incorporated or registered in this Commonwealth to  
9 provide funding for:

10 (A) The expenses relative to retrofitting  
11 vehicles to operate on alternative fuels as either a  
12 bi-fuel, dual-fuel, hybrid or dedicated vehicle.

13 (B) The incremental cost of purchase of bi-fuel,  
14 dual-fuel, hybrid or dedicated vehicles.

15 (C) The cost to purchase and install the  
16 necessary fleet refueling or home-refueling equipment  
17 for bi-fuel, dual-fuel, hybrid or dedicated vehicles.

18 (D) The cost to perform research, training  
19 development and demonstration of new applications or  
20 next-phase technology related to alternative fuel  
21 vehicles.

22 (ii) As grants to individual residents of this  
23 Commonwealth who purchase an alternative fuel vehicle for  
24 the cost to purchase and install the necessary home  
25 refueling equipment for bi-fuel, dual-fuel, hybrid or  
26 dedicated vehicles.

27 (iii) As grants to school districts, municipal  
28 authorities, political subdivisions and nonprofit  
29 entities to cover the incremental cost to purchase  
30 biofuel.

1           (iv) As rebates to residents of this Commonwealth to  
2 meet the incremental cost to individuals who purchase a  
3 bi-fuel, dual-fuel, hybrid or dedicated vehicle.]

4           (i) Ten percent of the money from the fund shall be  
5 expended as grants to taxi companies and operators for  
6 the incremental cost of purchasing dedicated compressed  
7 natural gas taxis. Incremental cost for this subparagraph  
8 shall be capped at \$10,000.

9           (ii) Sixty-five percent of the money from the fund  
10 shall be expended as grants to school districts,  
11 municipal authorities, political subdivisions, nonprofit  
12 entities, corporations, limited liability companies or  
13 partnerships incorporated or registered in this  
14 Commonwealth to provide funding for the incremental cost  
15 of purchasing dedicated compressed natural gas vehicles  
16 with a gross vehicle weight rating of 14,000 pounds or  
17 more. Grant applications from school districts, municipal  
18 authorities and political subdivisions shall be given  
19 priority.

20           (iii) Twenty-three percent of the money from the  
21 fund shall be expended as grants to individual residents  
22 of this Commonwealth for the purchase of bi-fuel  
23 vehicles. The grant amount shall be limited to the  
24 incremental cost of the bi-fuel vehicle and may not  
25 exceed \$10,000.

26           [(2) Moneys from the fund may be expended by the  
27 department as reimbursement of up to 10¢ per gallon in a  
28 calendar year for up to 12,500,000 gallons of renewable fuels  
29 produced by a qualified renewable fuels producer.]

30           (3) One year after the effective date of this act and



1 for every year thereafter, the amount of funding by the  
2 department under this subsection shall be evaluated to  
3 determine whether an adjustment in funding level is  
4 appropriate. The evaluation criteria shall be based on  
5 economic and regulatory conditions that affect the  
6 feasibility of [alternative fuels] compressed natural gas and  
7 the financial solvency of the fund. At no time shall the  
8 grant [or rebate] funding amount be below the amounts  
9 specified in this section.

10 (4) No more than 1.5% of the fund may be used to  
11 administer the provisions of this act.

12 (4.1) No more than 0.5% of the fund may be used to  
13 educate and do outreach to car dealers and consumers about  
14 this program.

15 (5) No more than [10%] 15% of the fund may be awarded to  
16 any one school district, municipal authority, political  
17 subdivision, nonprofit entity, corporation, limited liability  
18 company, partnership or resident of this Commonwealth in any  
19 one year, provided that the total amount of grants awarded  
20 [and rebates provided to grant and rebate] to grant  
21 recipients within a [political subdivision] county in a year  
22 shall not exceed [15%] 30% of the fund. However, if the total  
23 grant [and rebate] money to be awarded in that year is less  
24 than the total grant money available for that year, the  
25 department may increase the [10%] 15% and [15%] 30% funding  
26 levels established under this paragraph not to exceed 40% of  
27 the fund at the department's discretion.

28 [(6) Beginning fiscal year 2008-2009, through and  
29 including fiscal year 2010-2011, the department may expend up  
30 to \$100,000 annually from the fund for a nitrogen tire

1 inflation grant program. The department may award matching  
2 grants of up to 50% of the costs of purchasing and installing  
3 a nitrogen tire inflation system to automotive service  
4 providers who sell tires in this Commonwealth. Individual  
5 grants may not exceed \$5,000 per nitrogen tire inflation  
6 system. The department shall publish guidelines as necessary  
7 to implement the provisions of this subsection and maintain a  
8 registry of all grant recipients on the department's publicly  
9 accessible World Wide Web site.]

10 (c) Grant program.--The department shall establish a formula  
11 and method for the awarding of grants under the program. The  
12 department also shall establish a method by which grant  
13 applications will be prioritized. For grants under subsection  
14 (b)(1)(ii), the department shall prioritize grant applications  
15 according to, but not limited to, the following goals and  
16 criteria:

17 [(1) The improvement of this Commonwealth's air quality.

18 (2) The fulfillment of the Commonwealth's  
19 responsibilities under the Clean Air Act (69 Stat. 322, 42  
20 U.S.C. § 7401 et seq.).

21 (3) The protection of this Commonwealth's natural  
22 environment, including land, water and wildlife.

23 (4) The advancement of economic development in this  
24 Commonwealth and the promotion of this Commonwealth's  
25 indigenous resources.]

26 (5) The reduction of this Commonwealth's dependence on  
27 imported crude oil and other petroleum products.

28 [(6) The most cost-effective use of private and public  
29 funding.

30 (7) The transfer and commercialization of innovative

1 alternative energy technologies.]

2 (8) The total estimated gasoline gallon equivalent of  
3 compressed natural gas usage.

4 (9) Amount of private capital invested as a percentage  
5 of the total compressed natural gas conversion project cost  
6 including refueling infrastructure.

7 (10) Whether the project provides for public access to  
8 compressed natural gas refueling infrastructure.

9 (c.1) Appeal process.--Applicants that are not awarded  
10 grants under this act shall not have the right to a hearing or  
11 the issuance of an adjudication under section 4 of the act of  
12 July 13, 1988 (P.L.530, No.94), known as the Environmental  
13 Hearing Board Act, regarding the department's decision.

14 [(d) Rebate program.--There is hereby established a rebate  
15 program within the department for individuals residing in this  
16 Commonwealth who purchase a hybrid, plug-in hybrid or other  
17 alternative fuel vehicle as follows:

18 (1) The department shall establish a formula and method  
19 for the awarding of rebates under this program. The  
20 department shall publish this information yearly in the  
21 Pennsylvania Bulletin and may also publish this information  
22 on the department's World Wide Web site. Rebates shall be  
23 provided to the extent that funding is available for this  
24 purpose. To the extent that applications for rebates exceed  
25 the available funds for this program, the department may  
26 award rebates on a pro rata basis.

27 (2) A request for a rebate must be submitted to the  
28 department no later than six months after the purchase date  
29 of the hybrid, plug-in hybrid or other alternative fuel  
30 vehicle, in a form and manner prescribed by the department.

1 The department shall provide an application form to an  
2 individual upon request, and the department may make the  
3 application form on its World Wide Web site or through the  
4 place of purchase of a hybrid, plug-in hybrid or other  
5 alternative fuel vehicle.

6 (3) Applicants shall provide a copy of a valid  
7 Pennsylvania vehicle registration and proof of purchase when  
8 making a request for a rebate under this program.

9 Section 3.1. Biomass-based diesel production incentives.

10 (a) Incentives.--The department shall expend up to  
11 \$5,300,000 annually from the fund unless the balance of the fund  
12 is less than \$5,300,000 on the first day of the fiscal year, in  
13 which case the department shall expend up to one-third of the  
14 balance of the fund:

15 (1) As a production incentive of 75¢ per gallon for  
16 biomass-based diesel produced in this Commonwealth beginning  
17 July 1, 2008, and sold in this Commonwealth for commercial  
18 transportation purposes or for residential heating. In the  
19 case of biomass-based diesel, this incentive shall be  
20 available through June 30, 2011. If the total monthly amount  
21 of production incentives applied for by all qualified  
22 applicants exceeds the remaining amount available for those  
23 incentives, then the incentive shall be prorated among all  
24 qualified applicants. An individual qualified biomass-based  
25 diesel producer shall not receive more than \$1,900,000 in  
26 incentives in any one fiscal year. For purposes of this  
27 section, all facilities under common ownership shall be  
28 counted as a single facility.

29 (2) A producer of biomass-based diesel in this  
30 Commonwealth shall file for the production incentive on a

1 monthly basis on a form furnished by the department. The form  
2 shall require the producer to submit proof of production of  
3 the biomass-based diesel and the number of gallons sold  
4 during the previous calendar month and such other information  
5 as the department deems appropriate. A biomass-based diesel  
6 producer shall also submit a certificate of analysis from an  
7 accredited laboratory for every 500,000 gallons of biomass-  
8 based diesel produced showing that the biodiesel meets the  
9 ASTM Specification D6751, Standard Specification for  
10 Biodiesel Fuel Blend Stock (B100) for Middle Distillate Fuels  
11 or its successor standard.

12 (b) Exception.--A qualified biomass-based diesel producer  
13 who receives an incentive under this section shall not be  
14 eligible to receive an incentive under section 3.]

15 Section 4. This act shall take effect in 60 days.