

CHAPTER 116

(HB 212)

AN ACT relating to clean and alternative transportation fuels.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

➔SECTION 1. A NEW SECTION OF KRS CHAPTER 186 IS CREATED TO READ AS FOLLOWS:

As used in this section and Section 2 of this Act:

- (1) *"Bi-fuel system" means the power system of motor vehicles that are powered by gasoline and either CNG or LNG;*
- (2) *"Cabinet" means the Transportation Cabinet;*
- (3) *"Clean transportation fuel" means:*
 - (a) *Propane, CNG, LNG, bi-fuel systems, or electricity when they are used as motor vehicle fuel; or*
 - (b) *Other transportation fuels determined by the division to be comparable with respect to emissions;*
- (4) *"Compressed natural gas" or "CNG" means pipeline quality natural gas that is compressed and provided for sale or use as a motor vehicle fuel;*
- (5) *"Conversion" means:*
 - (a) *Repowering a motor vehicle or special mobile equipment by replacing its original gasoline or diesel powered engine with one capable of operating on clean transportation fuel; or*
 - (b) *Retrofitting a motor vehicle or special mobile equipment with parts that enable its original gasoline or diesel powered engine to operate on clean transportation fuel;*
- (6) *"Division" means the Division for Air Quality within the Energy and Environment Cabinet;*
- (7) *"Liquefied natural gas," "liquid natural gas," or "LNG" means pipeline-quality natural gas treated to remove water, hydrogen sulfide, carbon dioxide, and other components that will freeze and condensed into liquid form for sale or use as a motor vehicle fuel;*
- (8) *"Liquefied petroleum gas," "propane," or "LPG" means a hydrocarbon mixture produced as a by-product of natural gas processing and petroleum refining and condensed into liquid form for sale or use as a motor fuel;*
- (9) *"Motor vehicle" means a self-propelled device by which a person or property may be transported upon a public highway, except a device moved by human or animal power or used exclusively upon stationary rails or tracks, or which derives its power from overhead wires; and*
- (10) *"Special mobile equipment" means a motor vehicle or mobile equipment not designed or used primarily to transport people, including but not limited to construction or maintenance equipment.*

➔SECTION 2. A NEW SECTION OF KRS CHAPTER 186 IS CREATED TO READ AS FOLLOWS:

- (1) *The owner of a motor vehicle that has been converted after January 1, 2013, to operate on either CNG or LNG alone or in a bi-fuel system shall have the motor vehicle inspected to ascertain compliance with relevant federal safety standards covering the use of these fuels. The safety inspection shall occur:*
 - (a) *At the time of the conversion;*
 - (b) *Every three (3) years or thirty-six thousand (36,000) miles after the conversion, whichever occurs first; and*
 - (c) *Following any collision in which any vehicle involved is traveling at five (5) miles per hour or greater.*
- (2) *The owner of a motor vehicle originally designed and manufactured to use compressed or liquid natural gas as a fuel shall have it inspected for safety following any collision in which any vehicle involved is traveling at five (5) miles per hour or greater.*

- (3) *A person who performs the conversion of a motor vehicle to operate on either CNG or LNG alone or in a bi-fuel system shall certify to the owner of the motor vehicle and the cabinet that the conversion does not tamper with, circumvent, or otherwise affect any existing motor vehicle emissions or diagnostic systems, except as necessary to complete the conversion.*
- (4) *The cabinet may promulgate administrative regulations pursuant to KRS Chapter 13A to carry out the provisions of this section to:*
- (a) *Qualify persons to perform safety inspections on converted motor vehicles;*
 - (b) *Modify or adopt for state use any federal safety standards, if necessary; and*
 - (c) *Identify motor vehicles that have been converted to operate on clean transportation fuels and ensure compliance with the safety, emissions, and efficiency requirements of this section and applicable administrative regulations.*
- (5) *In promulgating administrative regulations, the cabinet shall consider:*
- (a) *Directing that inspections use equipment which is widely available in the state; and*
 - (b) *Creating a regulatory framework that encourages the conversion and sale of motor vehicles that operate on CNG, LNG, or a bi-fuel system.*

➔Section 3. KRS 152.715 is amended to read as follows:

As used in KRS 152.710 to 152.720, unless the context requires otherwise:

- (1) "Alternative transportation fuels" means:
- (a) Before August 1, 2010, crude oil or transportation fuels produced by processes that:
 - 1. Convert coal, waste coal, or biomass resources; or
 - 2. Extract oil from oil shale or tar sands;
 to produce crude oil or fuels for powering vehicles, aircraft, and machinery; and
 - (b) On or after August 1, 2010:
 - 1. Crude oil or transportation fuels produced by processes that:
 - a. Convert coal, waste coal, or biomass resources; or
 - b. Extract oil from oil shale or tar sands;
 to produce crude oil or fuels for powering vehicles, aircraft, and machinery;
 - 2. Liquefied **or compressed natural gas produced for use as a transportation fuel** ~~produced from natural gas~~; or
 - 3. Liquefied petroleum gas produced from natural gas, ~~or~~ natural gas liquids, **or petroleum for use as a transportation fuel.**
- "Alternative transportation fuels" may include but are not limited to **natural gas**, petroleum, jet fuel, gasoline, diesel fuel, hydrogen derived from coal, and diesel fuel and ethanol derived from biomass;
- (2) "Synthetic natural gas" means pipeline quality or industrial quality natural gas produced from coal through gasification processes;
- (3) "Fossil energy resources" means reserves of coal, oil shale, and natural gas; and
- (4) "Biomass resources" means any organic matter that is available on a renewable or recurring basis, including agricultural crops and trees; wood and wood residues; plants, aquatic plants, and plant oils; grasses; animal fats and animal by-products; animal manure; residue materials; and waste products.

➔Section 4. KRS 152.720 is amended to read as follows:

To ensure that Kentucky will lead the states in securing the energy independence of the United States and will consequently benefit from economic growth and stabilization of the Commonwealth's coal industry and agriculture, the Department for Energy Development and Independence shall develop and implement a strategy for production of alternative **transportation** fuels and synthetic natural gas from fossil energy resources and biomass resources. The strategy shall address:

- (1) Technologies available or in use for producing alternative *transportation* fuels and synthetic natural gas from fossil energy resources and biomass resources and the relative advantages of these in terms of process efficiencies, environmental performance, and marketable products, including chemicals, industrial feedstocks, and electricity;
- (2) Research, demonstration, and commercial-scale construction and operation of one (1) or more technologies, and follow-up expansion;
- (3) The essential nature of efficient cooperation, coordination, and synergy between the efforts of the Department for Energy Development and Independence and those of Kentucky's *public and private colleges and universities* in order to maximize Kentucky's opportunities to access federal funds and to receive research grants and awards from federal and other sources to fund the development of clean coal technology, coal-to-liquid-fuel conversion, synthetic natural gas, alternative transportation fuels, and biomass resources;
- (4) The identification of federal funds available for research, development, construction, and operation of alternative *transportation* fuels or synthetic natural gas plants at laboratory, demonstration, and commercial scale;
- (5) Establishment of a major federal energy research laboratory in Kentucky;
- (6) Industry participation, both by single firms and by consortia, in research, development, construction, and operation of alternative transportation fuels or synthetic natural gas plants;
- (7) Establishment or expansion of Kentucky state government incentives for development, construction, or operation of alternative transportation fuels and synthetic natural gas production facilities, including but not limited to financial incentives, tax incentives, mandating or providing incentives for use of alternative transportation fuels and synthetic natural gas by state government, school districts, or utilities, authority to issue bonds, and acquisition and preliminary environmental assessment of industrial sites; and
- (8) Development of incentives to encourage energy conservation and renewable fuel and energy use and deployment of renewable energy, including solar power, wind power, hydropower, and other sources.

➔Section 5. KRS 154.20-400 is amended to read as follows:

As used in KRS 154.20-400 to 154.20-420:

- (1) "Alternative fuels" means:
 - (a) Alternative transportation fuels as defined in KRS 152.715;
 - (b) Synthetic natural gas as defined in KRS 152.715;
 - (c) Biodiesel produced from biomass resources as defined in KRS 152.715 that is used for purposes other than transportation fuel;
 - (d) Ethanol as defined in KRS 141.422;
 - (e) Cellulosic ethanol as defined in KRS 141.422; and
 - (f) Any other fuel that is produced from a renewable or sustainable source;
- (2) "Eligible company" means any corporation, limited liability company, partnership, limited partnership, sole proprietorship, business trust, person, group, *city, county, charter county, consolidated local government, urban-county government, or unified local government entity*, or other entity engaged in research and development and commercialization related to, or the production of, alternative fuels or renewable energy;
- (3) "Kentucky-based" means a business with its principal place of business in Kentucky or at least fifty-one percent (51%) of its property and payroll located in Kentucky;
- (4) "Qualified company" means an eligible company that may be granted funding pending final approval;
- (5) "Renewable energy" means electricity produced by hydropower, solar power, landfill methane gas, wind power, geothermal, biomass, or other renewable sources; and
- (6) "Science and technology organization" means an independent, nonprofit quasi-governmental organization with a statewide mission and demonstrated history of managing complicated programs in the areas of entrepreneurial innovation, research and development, and science and technology advancement.

➔Section 6. KRS 154.20-410 is amended to read as follows:

- (1) There is created in the State Treasury the "Kentucky alternative fuel and renewable energy fund" for the purpose of enabling Kentucky-based companies to undertake research and development and commercialization in the area of alternative ~~fuels~~~~[fuel]~~ or renewable energy.
- (2) The fund may receive state appropriations, gifts, grants, federal funds, revolving funds, and any other funds both public and private. Moneys deposited in the fund shall be disbursed by the State Treasurer upon the warrant of the secretary of the Finance and Administration Cabinet. Any unallocated or unencumbered balances in the fund shall be invested as provided in KRS 42.500(9).
- (3) **Notwithstanding KRS 45.229**, any income earned from the investments along with the unallotted or unencumbered balances in the fund shall not lapse, and shall be deemed a trust and agency account and made available solely for the purposes and benefits of the Kentucky Alternative Fuel and Renewable Energy Fund Program.

➔Section 7. KRS 154.20-415 is amended to read as follows:

- (1) There is created in the cabinet a Kentucky Alternative Fuel and Renewable Energy Fund Program to provide funding to Kentucky-based companies to undertake research and development and commercialization work in the area of alternative fuels and renewable energy.
- (2) The purpose of the ~~[Kentucky Alternative Fuel and Renewable Energy Fund]~~ program is to:
 - (a) Accelerate knowledge transfer and technological innovation, improve economic competitiveness, and spur economic growth of Kentucky-based companies involved in the areas of alternative fuels or renewable energy;
 - (b) Support research and development activities that have clear potential to lead to commercially successful products, processes, or services in the areas of alternative fuels or renewable energy within a reasonable period of time;
 - (c) Stimulate growth-oriented alternative ~~fuels~~~~[fuel]~~ and renewable energy enterprises within the Commonwealth;
 - (d) Encourage partnerships and collaborative projects between private enterprises, Kentucky's **public and private colleges and** universities, and research organizations in alternative fuels and renewable energy; and
 - (e) Promote research and development and commercialization activities in alternative fuels and renewable energy that are market-oriented.

➔Section 8. KRS 45A.625 is repealed, reenacted, and amended to read as follows:

- (1) The Finance and Administration Cabinet shall develop a strategy to:
 - (a) Replace at least fifty percent (50%) of the state-owned passenger vehicles and light-duty trucks managed by the Division of Fleet Management as of January 1, ~~2014~~~~[2008]~~, with:
 1. New qualified hybrid motor vehicles as defined in 26 U.S.C. sec. 30B;
 2. New advanced lean burn technology motor vehicles as defined in 26 U.S.C. sec. 30B;
 3. New qualified fuel cell motor vehicles as defined in 26 U.S.C. sec. 30B; or
 4. New qualified alternative fuel motor vehicles as defined in 26 U.S.C. sec. 30B; and
 - (b) Increase the use of ethanol, **cellulosic ethanol**, biodiesel, and other alternative transportation fuels as defined in KRS 152.715 to reduce state government's dependence on petroleum-based transportation fuels, where possible.
- (2) On or before December 1, ~~2013~~~~[2007]~~, and every December 1 thereafter, the ~~[Finance and Administration]~~ cabinet shall report to the Legislative Research Commission:
 - (a) The strategy for transitioning to motor vehicles outlined in subsection (1) of this section, including a life-cycle cost comparison, and a projected timetable to replace motor vehicles in the state motor pool as provided in subsection (1) of this section; and
 - (b) The strategy for increased use of ethanol, cellulosic ethanol, biodiesel, and alternative transportation fuels, including the targeted amount and the dates by which these targets shall be achieved.

➔Section 9. KRS 156.153 is amended to read as follows:

- (1) All school buses for which bids are made or bid contracts awarded shall meet the standards and specifications of the Kentucky Department of Education.

The term "school bus," as used in this section, shall mean any motor vehicle which meets the standards and specifications for school buses as provided by law or by the standards or specifications of the Kentucky Department of Education authorized by law and used solely in transporting school children and school employees to and from school under the supervision and control and at the direction of school authorities, and shall further include school bus accessory equipment and supplies and replacement equipment considered to be reasonably adaptable for purchase from price contract agreements.

- (2) Except in cases of emergencies or for the transportation of students with disabilities, only school buses as defined in subsection (1) of this section shall be used for transporting students to and from school along regular bus routes. Districts may use district-owned vehicles that were designed and built by the manufacturer for passenger transportation when transporting nine (9) or fewer passengers, including the driver, for approved school activities. Vehicles used under this subsection shall be clearly marked as transporting students and shall be safety inspected no less than once every thirty (30) days.
- (3) *As part of its regular procedure for establishing and updating school bus standards and specifications, the Kentucky Department of Education shall consider allowing school buses to operate using clean transportation fuels, as defined in Section 1 of this Act. If the department determines that school buses may operate using clean transportation fuels while maintaining the same or a higher degree of safety as fuels currently allowed, it shall update its standards and specifications to allow for such use.*

➔Section 10. KRS 234.321 is amended to read as follows:

- (1) The tax imposed by KRS 234.320 shall not be collected when the liquefied petroleum gas sold by the dealer is used to propel motor vehicles on the public highways, either within or without this state, when the motor vehicles using the liquefied petroleum gas are equipped with carburetion systems approved by the Energy and Environment Cabinet *or a fuel system that meets federal vehicle safety standards contained in 49 C.F.R. pt. 571.*
- (2) The Energy and Environment Cabinet shall establish emission standards for carburetion systems.

Signed by Governor April 4, 2013.