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HOUSE BILL NO. 680**AMENDMENT IN THE NATURE OF A SUBSTITUTE**(Proposed by the Senate Committee on Finance
on February 28, 2006)

(Patron Prior to Substitute—Delegate Wittman)

A BILL to amend the Code of Virginia by adding in Chapter 26 of Title 45.1 sections numbered 45.1-393 and 45.1-394, relating to the establishment of the Biofuels Production Incentive Grant Program and Fund.

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Chapter 26 of Title 45.1 sections numbered 45.1-393 and 45.1-394 as follows:

§ 45.1-393. Biofuels Production Fund established.

There is hereby created in the state treasury a special nonreverting fund to be known as the Biofuels Production Fund, hereafter referred to as "the Fund." The Fund shall be established on the books of the Comptroller. The Fund shall consist of such moneys as may be appropriated to it by the General Assembly. Moneys in the Fund shall be used solely for the purposes of providing grants to certain producers of biofuels as specified in § 45.1-394. Expenditures and disbursements from the Fund shall be made by the State Treasurer on warrants issued by the Comptroller upon written request signed by the Director of the Division of Energy.

§ 45.1-394. Biofuels Production Incentive Grant Program.

A. For the purposes of this section:

"Biodiesel fuels" means a renewable, biodegradable, mono-alkyl ester combustible liquid fluid fuel from agricultural plant oils or animal fats that meets American Society for Testing and Materials (ASTM) specifications for Biodiesel Fuel (B100) Blend Stock for Distillate Fuels.

"Biofuels" means neat biodiesel fuel or neat ethanol fuel that is not blended with a traditional fuel such as gasoline or diesel.

"Ethanol fuels" means fermentation alcohol derived from agricultural products, including potatoes, cereal grains, dry mill corn, whey, and sugar beets; forest products; or other renewable resources, including residue and waste generated from the production, processing, and marketing of agricultural products, forest products, and other renewable resources, that:

1. Meets all applicable ASTM specifications; and

2. Is denatured as specified in 27 C.F.R. Parts 20 and 21.

"Feedstock" means the agricultural or other renewable resources, whether plant or animal derived, used to produce biofuels.

"Producer" means any person or entity that, in a calendar year, produces in the Commonwealth at least 10 million gallons of biofuels using feedstock originating domestically within the United States.

B. A producer of neat biofuels commencing qualifying sales on or after January 1, 2007, shall be eligible to receive a biofuels production incentive grant in an amount equal to \$0.10 for each gallon of neat biofuels sold by it in the calendar year beginning with calendar year 2007. To be eligible for an incentive grant for neat biofuels sales in any given calendar year, the producer shall have produced in the Commonwealth at least 10 million gallons of neat biofuels in such year. In addition, any producer producing neat biofuels prior to January 1, 2007, shall be eligible for an incentive grant for neat biofuel sales in the respective calendar year only if its production in the Commonwealth of neat biofuels for such calendar year exceeds its production in the Commonwealth of neat biofuels in the 2006 calendar year by at least 10 million gallons, and if it maintains production at a minimum of that level in future years. A producer shall be eligible for a grant from the Biofuels Production Fund (the Fund) established under § 45.1-393 only for each gallon of neat biofuels that it produces in the Commonwealth on or after January 1, 2007, which gallon has also been sold by the producer to customers. Grants awarded under this section shall be paid from the Fund.

C. In the event applications for grants pursuant to subsection B exceed the total amount of money allocated in the Fund, grant payments shall be apportioned among eligible producers pro rata based upon the total qualifying gallons of neat biofuels sold in the respective calendar year by all such eligible producers.

D. Any producer eligible to apply for a grant pursuant to this section shall provide evidence in the form of production reports, satisfactory to the Director, that the producer met the neat biofuels production requirements provided under this section for the respective calendar year. The producer shall also provide evidence in the form of sales reports, satisfactory to the Director, of the number of qualifying gallons of neat biofuels sold by the producer to customers in the respective calendar year. Such reports shall be filed no later than March 31 following the calendar year in which the producer

60 sold the qualifying gallons of neat biofuels. Failure to meet the filing deadline shall render the applicant
61 ineligible to receive a grant. The postmark cancellation shall govern the date of the filing determination
62 unless the Director has approved an alternative means of filing.

63 No producer shall be eligible to receive grants pursuant to this section for qualifying sales made in
64 more than six calendar years.

65 E. The Director shall certify to the Comptroller the grant amount a producer of neat biofuels is
66 eligible to receive in a given calendar year. Payments shall be paid by check issued by the State
67 Treasurer on warrant of the Comptroller.

68 F. The Director, upon presenting appropriate credentials, may examine the records, books, invoices,
69 bills of lading, storage and production facilities, and other applicable documents to determine whether
70 the production and sale of neat biofuels meets the requirements for grants as set forth in this section.

71 **2. That no grant shall be paid pursuant to the provisions of this act for any neat biofuel sold on**
72 **or after January 1, 2017.**