

North Carolina Department of Environmental Quality

Pat McCrory
Governor

Donald R. van der Vaart
Secretary

November 18, 2015

MEMORANDUM

TO: JOINT LEGISLATIVE COMMISSION ON GOVERNMENTAL OPERATIONS
The Honorable Tim Moore, Co-Chair
The Honorable Phil Berger, Co-Chair

FISCAL RESEARCH DIVISION

FROM: Matthew Dockham, Director of Legislative Affairs

SUBJECT: Energy Credit Banking and Selling Program Annual Report FY 2014-2015

DATE: November 18, 2015

Pursuant to G.S. 143-58.5, The Department shall submit to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division no later than 1 October of each year a report on the expenditures from the Fund during the preceding fiscal year. The attached report satisfies this reporting requirement.

If you have any questions or need additional information, please contact me by phone at (919) 707-8618 or via e-mail at matthew.dockham@ncdenr.gov.

cc: Jenny Kelvington, Senior Energy Policy Advisor, NCDEQ
Tracy Davis, Director of Energy, Land, and Mineral Resources, NCDEQ

Energy Credit Banking and Selling Program Annual Report FY 2014-2015

Citation of Law or Resolution:	G.S. 143-58.5
Section Number:	§ 14358.4
Due Date:	Oct. 1, 2015

Receiving Entities:

Joint Legislative Commission on Governmental Operations
Fiscal Research Division

Submitting Entity:

State Energy Office of the Department of Environmental Quality

The Energy Policy Act (EPAct) State and Alternative Fuel Provider Rule was implemented with provisions of Titles III-V of the Energy Policy Act (EPAct) of 1992. EPAct requires state government and alternative fuel provider fleets that operate, lease, or control 50 or more light-duty vehicles within the United States to acquire alternative fuel vehicles (AFV).

Since 2001, as a covered fleet, EPAct has required that 75% of the new light duty vehicle acquisitions by the NC State must be AFVs. The State Energy Program within the North Carolina Department of Environmental Quality submits a report of acquisition activity to the U.S. Department of Energy (DOE) by December 31 of each calendar year to demonstrate compliance.

As directed by legislation, the State Energy Program has compiled this report on the Energy Credit Banking and Selling Program. The provisions for the Energy Credit Banking and Selling Program were enacted by the 2005 General Assembly through Senate Bill 1149/S.L 2005-413, with subsequent rules approved by the Rules Review Commission in April 2007 that became effective on May 1, 2007.

The State earns one credit for every light-duty AFV it acquires annually. Original equipment manufacturer and U.S. Environmental Protection Agency (EPA) certified retrofit, flex fuel vehicle (FFV), compressed natural gas, propane, and electric vehicles qualify as AFVs. The majority of the AFV purchased by North Carolina are flex fuel vehicles (FFV). The incremental manufacturing cost of a FFV over a standard vehicle is generally less than \$40. Manufacturers offer the flex fuel option, generally at no additional cost.

Credits generated by vehicle acquisitions in excess of the 75% light duty AFV acquisition requirement can be sold or banked for future use. Credits may also be accrued by purchasing electric vehicles or by consuming biodiesel as shown in the table below. The credits earned through the use of biodiesel are not saleable but may be applied towards meeting the AFV purchase requirement.

Technology/Method	Number of AFV Credits
Light-duty electric vehicles¹	½
Light-duty AFVs	1
Medium- and heavy-duty AFVs	1
Biodiesel - each 450 gallons B20 biodiesel blend² – each 2,250 gallons	1

¹ Light Duty Electric Vehicles are defined as Hybrid Electric Vehicles (HEVs) or Neighborhood Electric Vehicles (NEVs).

² The NC Department of Transportation consumes B20 biodiesel in some of its vehicles which helps NC meet its 75% light duty AFV acquisition requirement.

Excess AFV credits are banked through the U.S. DOE Office of Freedom Car and Vehicle Technologies Program and listed on an open bulletin board on the DOE website so that entities interested in purchasing credits can see what credits are available. Guidelines for the NC EPA Act Credit Banking and Selling Program were developed, reviewed and approved at the May 9, 2007 Alternative Fuels Consortium, and the May 14, 2007 meeting of the NC Energy Policy Council.

The Credit Selling Working (CSW) group is a subgroup of the Alternative Fuel Consortium and consists of designees from NC Department of Transportation Equipment Unit, the NC Department of Administration Motor Fleet Management division, the State Energy Program and other state agencies and institutions that generate AFV credits. The CSW group determines the number of saleable credits earned and the minimum selling price for the credits. The value depends on market demand. Proceeds from the sale of AFV credits are deposited in the Alternative Fuels Revolving Fund (AFRF) held by the Department of Environmental Quality. All AFV credit acquisitions, sales and the AFRF activities that occurred during the past ten years are shown in the following table.

EPA Act CREDIT BANKING & SELLING PROGRAM

Federal Fiscal Year	AFV Credits			Price per Credit	Alternative Fuels Revolving Fund		
	Earned ¹	Sold	Balance		Deposits	Withdrawals	Balance
04-05	365	0	365	--	--	--	--
05-06	424	0	789	--	--	--	--
06-07	291	0	1,080	--	--	--	--
685,570 7-08	353	429	1,004	\$992	\$425,580	--	--
08-09	112	4	1,112	\$950	\$3,800	--	--
09-10	252	372	992	\$948	\$352,675	\$446,455	\$335,600
10-11	102	236	858	\$933	\$220,400	--	\$576,000
11-12	297	200	955	\$900	\$180,000	--	\$756,000
12-13	301	215	1,041	\$913	\$196,500	--	\$952,500
13-14	299	0	1,340	--	--	\$486,764	\$952,500
14-15	718 ²	0	2,058 ²	--	--		\$465,740
<i>Interest earned to date through Sep. 2015</i>					\$27,829		\$493,569
To Date	2,796	1,456	1,340	\$946	\$1,406,784	\$933,219	\$493,569
Pending³		240	1,100	\$800	\$192,000		\$685,569

1. The credits that are eligible to be sold have been accrued through the use of E85 ethanol in flexible fuel vehicles (FFVs) operated by the NC Division of Motor Fleet Management.
2. North Carolina earned 718 excess AFV credits based on the alternative vehicles acquired and fuel consumed by the state during FY2014-2015.
3. Southern California Edison Company is in the process of purchasing 240 of North Carolina's AFV credits for \$800 each (total price of \$192,000).

The State Energy Program annually informs the Alternative Fuel Consortium of revenue deposited in the AFRF account and the percentage of these funds that were generated by each participating state agency and institution. The Consortium prioritizes the distribution of funds to maximize benefits to the state for the purchase of alternative fuel, related refueling infrastructure, and AFVs. The last withdrawal from this account occurred in March 2014 when Motor Fleet Management spent \$486,764 to purchase twenty-six 2014 Chevrolet Impala FFVs.