

Comments on SB118 from Gus Kellogg, Founder and CEO, Greenleaf Biofuels LLC

March 1, 2010

I would like to speak in favor of SB118, ***AN ACT CONCERNING CONNECTICUT QUALIFIED BIODIESEL PRODUCER GRANTS.***

My name is Gus Kellogg and I am the Founder and CEO of Greenleaf Biofuels LLC. We are currently based in Guilford as a biodiesel distributor but are in the process of building a 10Mgy biodiesel production plant in New Haven harbor. I am also a founder of the Connecticut Biodiesel/Bioheat Association and currently serve as the President of that organization.

I applaud the Environment Committee for introducing a bill in 2007 that created the Connecticut Qualified Biodiesel Producer's Incentive Account and the program to administer and allocate those funds. I also applaud the entire Connecticut General Assembly for passing this bill and enacting into law an incentive program designed to build a new clean energy industry in the state, to create new green collar jobs, displace petroleum, reduce greenhouse gas emissions and help secure our energy independence.

In more tangible terms, the purpose of these grants was to assist with purchasing equipment or constructing, modifying or retrofitting production facilities - to build the physical infrastructure in Connecticut to produce a renewable, cleaner-burning fuel for use in diesel engines and oil-fired heating systems. Unfortunately, the legislative intent was lost in translation. The language defining a qualified biodiesel producer included the words "actively engaged in the production of biodiesel for commercial purposes". This resulted in a legal interpretation of the Statute by DECD and CCAT, the grant administrator, that in order for a grant recipient to receive funds they must demonstrate that their facility can produce biodiesel at 50% capacity for a 30-day period. If the funds cannot be disbursed until all the equipment necessary to produce the biodiesel has been purchased and the entire factory has been constructed, how can they really support the recipient in building biodiesel capacity in this state? I argue that the legislative intent has been defeated and therefore strongly support this bill and request that it be effective upon enactment as proposed in an amendment attachment to my written testimony and submitted to the Committee.

In the amending language, we have also made provisions in the amendment to make certain the incentive account remains open and allow for Federal funds to be deposited into the account, as we will look for Federal programs that support the growth of green collar jobs, renewable energy and greenhouse gas mitigation. Furthermore, we have made changes for compliance purposes that align this section of the Statutes with quality control protocol accepted by the Weights and Measures Division of the Department of Consumer Protection. Thank you for your time.

Raised Bill No. 118 – Recommended Amendments

LCO No. 868

AN ACT CONCERNING CONNECTICUT QUALIFIED BIODIESEL PRODUCER GRANTS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 32-324 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective Upon Passage*):

3 For the purposes of this section and sections 32-324a to 32-324f,
4 inclusive, as amended by this act:

5 (1) "Biodiesel" means a fuel comprised of mono-alkyl esters of long
6 chain fatty acids derived from vegetable oils or animal fats, designated
7 B100, and meeting the requirements of designation D6751 of the
8 American Society for Testing and Materials.

9 (2) "Qualified biodiesel producer" means [a facility that produces
10 biodiesel] an entity that, is registered with the state of Connecticut, is
11 domiciled in Connecticut and is actively engaged in, or intends to
12 actively engage in, the production of biodiesel in Connecticut for
13 commercial purposes.

14 (3) "Qualified biodiesel distributor" means [a facility that stores and
15 distributes biodiesel,] an entity that is registered with the state of
16 Connecticut, is domiciled in Connecticut and is actively engaged in, or
17 intends to actively engage in, the storage and distribution of biodiesel
18 in Connecticut for commercial purposes.

19 Sec. 2. Section 32-324d of the general statutes is repealed and the
20 following is substituted in lieu thereof (*Effective Upon Passage*):

21 [A qualified biodiesel producer shall be eligible for a one-time grant
22 pursuant to section 32-324a to assist with purchasing equipment or
23 constructing, modifying or retrofitting production facilities. Such grant
24 shall not exceed (1) three million dollars, and (2) twenty-five per cent
25 of the equipment or construction cost regardless of the number of
26 facilities owned by said qualified biodiesel producer.] A qualified
27 biodiesel producer that is not yet actively engaged in the production of
28 biodiesel shall be eligible for a one-time grant pursuant to section 32-
29 324a to assist with the initial purchase of biodiesel production
30 equipment or with the construction, modification or retrofitting of
31 biodiesel production facilities. Such grant shall be administered to

32 provide such qualified biodiesel producer with such initial financial
33 assistance and shall not be administered as a reimbursement program.
34 The amount of such grant shall not exceed three million dollars
35 regardless of the number of facilities owned by the qualified biodiesel
36 producer.

37 Sec. 3 Sec. 32-324a Subsection (a) of the general statutes is repealed and the
following is substituted in lieu thereof (Effective Upon Passage):

(a) There is established an account to be known as the "Connecticut qualified biodiesel producer incentive account", which shall be a separate, nonlapsing account within the General Fund. The account shall contain any moneys required by law to be deposited in the account and may also contain any moneys provided by the federal government and it's agencies or by state agencies. The account shall remain open and eligible for funding even if the balance is drawn down to zero dollars.

Sec. 4 Sec. 32-324b of the general statutes is repealed and the following is substituted in lieu thereof (*Effective Upon Passage*):

(a) A qualified biodiesel producer shall be eligible for not more than sixty monthly grants from the Connecticut qualified biodiesel producer incentive account, established pursuant to section 32-324a. The Department of Economic and Community Development, in consultation with the person, firm, corporation or entity selected to implement the grant pursuant to subsection (b) of section 32-324a, if applicable, shall determine monthly grant amounts by calculating the estimated gallons of biodiesel produced during the preceding month, as certified by the Commissioner of Economic and Community Development, or a designee, and applying such figure to the per gallon incentive credit established in subsection (b) of this section.

(b) Each qualified biodiesel producer shall be eligible for a total grant in any fiscal year equal to the following amounts: (1) For the first five million gallons of biodiesel produced, thirty cents per gallon; (2) for the second five million gallons of biodiesel produced, twenty cents per gallon; and (3) for the third five million gallons of biodiesel produced, ten cents per gallon. In the event that the moneys allocated for this grant program fall below two hundred thousand dollars, the maximum payout will be twenty cents per gallon, regardless of the number of gallons produced. In the event that the moneys allocated for this grant program fall below one hundred thousand dollars, the maximum payout will be ten cents per gallon, regardless of the number of gallons produced.

(c) Biodiesel produced by a qualified biodiesel producer in excess of fifteen million gallons in any fiscal year shall not be eligible for a grant pursuant to this section.

Sec. 5 Sec. 32-324c of the general statutes is repealed and the following is substituted in lieu thereof (*Effective Upon Passage*):

To receive a grant pursuant to section 32-324b, a qualified biodiesel producer shall file an application for such funds not later than fifteen days after the last day of the month for which the grant is sought. The application shall include, but not be limited to: (1) The location of the qualified biodiesel producer; (2) the number of Connecticut citizens employed by the biodiesel producer in the preceding month; (3) the number of gallons of biodiesel produced during the month for which the grant is sought; (4) a copy of the qualified biodiesel producer's Connecticut registration; (5) any other information deemed necessary by the Commissioner of Economic and Community Development to ensure that such grants shall be made only to qualified biodiesel producers; and (6) satisfactory documentation that the biodiesel has a net carbon energy benefit when compared to the fuel it will replace. For the compliance purposes of this section and Sec. 32-324b only, the qualified biodiesel producer may provide a certificate of analysis documenting only the critical specifications of ASTM D6751, such as the Tier II biodiesel fuel quality protocol accepted by the CT Department of Consumer Protection.