

Arkansas Alternative Fuels Development Program

Regulations for Program Administration and Grant Application

A. Purpose

To increase the availability of alternative fuels produced in Arkansas from feedstock processed in Arkansas by making available incentive grants to alternative fuels producers, feedstock processors, and distributors.

B. Authority

The Arkansas Agriculture Department under the Arkansas Alternative Fuels Development Act, Arkansas Code § 15-13-102, as amended by Act 977 of 2009 (the “Act”) is to develop and administer the program.

C. Definitions:

1. “**Alternative Fuels**” means biofuel, or ethanol, compressed natural gas or a synthetic transportation fuel.
2. “**Biofuel**” means a renewable, biodegradable, combustible liquid derived from biomass or other renewable resources that can be used as transportation fuels, combustion fuel or refinery feedstock and meets the American Society for Testing and Materials Specification and federal quality requirements as in effect on February 1, 2007 for each category or grade of fuel.
3. “**Biofuel**” includes without limitation:
 - Biodiesel or renewable diesel,
 - Renewable gasoline,
 - Renewable Jet fuel,
 - Renewable naphtha,
 - Biocrude, or
 - Other renewable, biodegradable, mono alkyl ester combustible fuel derived from biomass.

**Proposed Regulation
Agency # 209.00**

4. **“Biomass”** means any matter derived from plants or animals that are used for the production of alternative fuels. Biomass includes residues or byproducts from:

Agricultural Production,

Agricultural Processing,

Algae,

Forest or wood resources,

Forestry of wood production,

Forestry of wood processing, or

Plant material from crops that are produced for use in the production of alternative fuels or cellulosic biomass.

“Biomass” does not include recycled petroleum oil.

5. **“Ethanol”** means ethyl alcohol derived from biomass that meets the American Society for testing and Materials Specification D4806-04a for ethanol as in effect on January 1, 2007, and is denatured as specified in 27 C.F.R. Part 20 and Part 21, as in effect on January 1, 2007.
6. **“Synthetic transportation fuel”** means a liquid fuel produced from biomass by a gasification process or other refining process that meets any applicable state of federal environmental requirement
7. **“Other renewable resources”** means any material that can be recycled, regenerated, reclaimed, or reused
8. **“Alternative fuels mixture”** means a mixture of alternative fuels that is:
- An undyed, clear distillate special fuel that is suitable for use in motor vehicles on Arkansas highways,
 - A dyed fuel for off-road use,
 - Sold by the supplier producing alternative fuels mixture to any person for use as a fuel; or used as a fuel by the supplier producing the alternative fuels mixture
 - Used as a fuel by the supplier producing the alternative fuels mixture.

9. **“Feedstock Processor”** means a business located in Arkansas that uses biomass or other renewable resources excluding recycled petroleum oils to manufacture feedstock to be used in the production of alternative fuels,
10. **“Alternative Fuels Producer”** means a business located in Arkansas that uses Biomass or other renewable resources, excluding recycled petroleum oils to manufacture alternative fuels.
11. **“Alternative Fuels Distributor”** means a business located in Arkansas that distributes alternative fuels or alternative fuels mixture.
12. **“State agency”** means any office, board commission, department, council, bureau, or other entity created by the Arkansas General Assembly.

C. General Availability and Limitation Provisions of Alternative Fuel Grants:

Grant Availability:

1. alternative fuels production and/or facilities located in Arkansas;
2. alternative fuels production and/or investments made on or after January 1, 2010;
3. two million dollars to any one alternative fuels producer in any one fiscal year;
4. three million dollars to any one feedstock processor in any one fiscal year;
5. three hundred thousand dollars for any one alternative fuels distributor at each alternative fuels distributor site in any one fiscal year.

An entity that holds controlling interest in more than one alternative fuels production facility is considered one alternative fuels producer.

An entity that holds a controlling interest in more than one feedstock processing plant is considered one feedstock processor.

Persons or entities that are alternative fuels producers and feedstock processors may apply for and receive grant funds under the Act for alternative fuels production and for feedstock processing.

E. Application Procedures and Requirements

1. Application Deadline

Funding decisions are made on the basis of one round of competition. The FY 10/11 application deadline for grants is February 28, 2011. Applications may cover investments made on or after July 1, 2009 or investments proposed to be made before June 30, 2011.

Applications must be submitted in writing to:

Office of the Secretary
Arkansas Agriculture Department
1 Natural Resource Drive
Little Rock, AR 72205

2. Production Incentive Grant Applications

As defined in the Act, “alternative fuels producer” means a business located in Arkansas that uses biomass or other renewable resources, excluding recycled petroleum oils, to manufacture alternative fuels.

Production Incentive Grants may be for capital improvement and/or operations costs.

Capital improvement grants are to assist in the construction, modification, alteration, or retrofitting of alternative fuels production facilities that are located and operated in Arkansas.

Operations costs grants are for the operation of alternative fuels production facilities located and operated in Arkansas. Successful applicants for operations costs grants are eligible for incentive payments of up to twenty cents per gallon of alternative fuel produced.

Alternative fuels producers may apply for and receive grants to fund capital improvements and/or operations costs however, the Arkansas Agriculture Department will not award grants in an amount that collectively exceeds two million dollars to any one alternative fuels producer in any one fiscal year.

I. Narrative Summary

A narrative description of the proposed project is required. The format, style of presentation, and length may vary, depending on the nature of the project. The narrative shall include the following sections:

- Ownership – legal ownership along with the names, titles, contact information, and roles of principal participants in alternative fuel production facility.
- Location – physical address of facility.
- Description of Current Operation – if in operation, describe facility including feedstock processed, current market, production levels (expected gallonage), and cost per unit.
- Intended Use of Grant –
 - For capital improvement grant, describe construction, modification, alteration, or retrofitting of production facility and permitting required. Include pro-forma operating statement, cash flow analysis, projected per unit cost, annual volume anticipated, expected employment and anticipated markets for alternative fuel.
 - For operating cost grant, include operating pro-forma analysis, cash flow analysis, projected per unit cost, annual volume anticipated, expected employment and anticipated markets for alternative fuel.
- Evidence alternative fuel production volume is sustainable.

II. Selection Criteria

In order to achieve certain goals and priorities, applications will particularly be reviewed for the following criteria. Each will receive a weighted score, the maximum of which is indicated. The sum total score of all the criteria will be used to rank competing applications.

- Capital Improvement Grant Criteria:
 - (1) Portion of feedstock grown in Arkansas to be used for alternative fuels production. (15 points)
 - (2) Portion of feedstock processed in Arkansas to be used for alternative fuels production. (15 points)
 - (3) Share of capital investment from equity investors. (10 points)
 - (4) Share of equity investment from Arkansas investors. (10 points)
 - (5) Suitability of the alternative fuel to be produced for utilization in the Arkansas fuel economy. (10 points)
 - (6) Technical capability of the management team. (15 points)
 - (7) New jobs and positions added to the Arkansas rural economy. (10 points)
 - (8) Evidence the company has in place established quality standards and practices. (15 points)

- Operating Costs Grant Criteria:
 - (1) Evidence that applicant and facility will be long-term suppliers of alternative fuels to the Arkansas economy. (20 points)
 - (2) Evidence that quality of volume for which claim is made met ASTM standards. (15 points)
 - (3) Evidence that applicant attempted to maximize use of feedstock grown or processed in Arkansas. (20 points)
 - (4) Evidence that applicant has sound marketing plan in place and is attempting to maximize marketing benefits. (15 points)
 - (5) Evidence that applicant has a plan in place to maintain costs at competitive levels. (15 points)

- (6) Evidence company has in place established quality standards and practices.
(15 points)

III. Request for Payment

Upon notification that an application for a production incentive grant has been approved, successful applicants may request payment by reporting quarterly production on AAD form AFP-01. All requests for payment, regardless of the fiscal year for which the grant was approved, must be submitted to AAD by May 30, 2011 or payment may be disallowed.

IV. Reporting Requirements

Grant recipients agree to report origin and total annual feedstock processed and total gallons of alternative fuel produced by the facility for the five years subsequent to the construction, modification, alteration, or retrofitting being completed. Or, for an operating costs grant, beginning with their first request for payment. Reports are to be submitted on AAD form AFP-02 and must be filed each fiscal year by August 31.

3. Feedstock Processor Incentive Grant Applications

As defined in the Act, “feedstock processor” means a business located in Arkansas that uses biomass or other renewable resources, excluding recycled petroleum oils, to manufacture feedstock to be used in the production of alternative fuels.

Grants are to assist in the construction, modification, alteration, or retrofitting of feedstock processing facilities that are located and operated in Arkansas. The department shall not award a grant in an amount that exceeds three million dollars (\$3,000,000) or fifty percent (50%) of the project cost, whichever is less, to any one (1) feedstock processor in any one (1) fiscal year.

I. Narrative Summary

A narrative description of the proposed project is required. The format, style of presentation, and length may vary, depending on the nature of the project. The narrative shall include the following sections:

- Ownership – legal ownership along with the names, titles, contact information, and roles of principal participants in feedstock processing facility.
- Location – physical address of facility.
- Description of Current Operation – if in operation, describe facility including feedstock processed, current market, production levels, and cost per unit.
- Intended Use of Grant – describe construction, modification, alteration, or retrofitting of feedstock processing facility. Include pro-forma operating statement, cash flow analysis, projected per unit cost, permitting requirements, and anticipated markets for feedstock.

II. Selection Criteria

In order to achieve certain goals and priorities, applications will particularly be reviewed for the following criteria. Each will receive a weighted score, the maximum of which is indicated. The sum total score of all the criteria will be used to rank competing applications.

- (1) Suitability of the feedstock to be produced for utilization by Arkansas alternative fuels producers. (10 points)
- (2) Percentage of Arkansas grown crops or other biomass material to be used for processing. (30 points)
- (3) Share of capital investment from equity investors. (20 points)
- (4) Share of equity investment from Arkansas investors. (20 points)
- (5) Technical capability of the management team. (10 points)
- (6) New jobs and positions added to the Arkansas rural economy. (10 points)

III. Reimbursement Procedure

Upon notification that an application for a feedstock processor incentive grant has been approved, successful applicants may request reimbursement of approved expenditures on AAD form FP-01. All requests for reimbursement, regardless of the fiscal year for which the grant was approved, must be submitted to AAD by May 30, ~~2009~~ 2011 or reimbursement may be denied.

IV. Reporting Requirements

Grant recipients agree to report origin and total annual tonnage of feedstock processed by facility for the five years subsequent to the construction, modification, alteration, or retrofitting being completed. Reports are to be submitted on AAD form FP-02 and must be filed each fiscal year by August 31.

4. Distribution Incentive Grant Applications

As defined in the Act, “Alternative Fuels Distributor” means a business located in the State of Arkansas that distributes alternative fuels or alternative fuels mixtures.

Distribution incentive grants are restricted to capital investments in alternative fuels distribution facilities. The department shall not award a grant in an amount that exceeds ~~two~~ three hundred thousand dollars (\$300,000) or fifty percent (50%) of the project cost, whichever is less, to any

one (1) alternative fuels distributor at each alternative fuels distributor site in any one (1) fiscal year.

I. Narrative Summary

A narrative description of the proposed project is required. The format, style of presentation, and length may vary, depending on the nature of the project. The narrative shall include the following sections:

- Ownership – legal ownership along with the names, titles, contact information, and roles of principal participants in alternative fuels distribution business.
- Location – physical address of business and distribution site(s).
- Current source of biofuel and monthly volume.
- Intended use of the grant.
- Evidence sufficient to demonstrate grant will improve the statewide supply and distribution of alternative fuels and/or alternative fuels mixtures that are produced in Arkansas.

II. Selection Criteria

In order to achieve certain goals and priorities, applications will particularly be reviewed for the following criteria. Each will receive a weighted score, the maximum of which is indicated. The sum total score of all the criteria will be used to rank competing applications.

- (1) Additional volume of alternative fuels to be added for distribution as result of investment. (25 points)
- (2) Location of investments in regions or areas of the state where distribution is lacking or deficient. (25 points)
- (3) Improving assurance that investment will add to the capability of providing continuous supplies of alternative fuels throughout the year and across the entire state. (25 points)
- (4) Adding to the supply of alternative fuels in locations where there will be significant environmental benefits from use of alternative fuels. (25 points)

III. Reimbursement Procedure

Upon notification that an application for a distribution incentive grant has been approved, successful applicants may request reimbursement of approved expenditures on AAD form AFD-01. All requests for reimbursement, regardless of the fiscal year for which the grant was approved, must be submitted to AAD by May 30, 2011 or may be disallowed.

IV. Reporting Requirements

Grant recipients agree to report total annual amount of alternative fuel stored and/or distributed by distribution site for the five years subsequent to the grants utilization. Reports are to be submitted on AAD form AFD-02 and must be filed each fiscal year by August 31.