

Senate Amendment 5151

Amendment Text

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1 1 Amend [Senate File 2221](#) as follows:
1 2 #1. By striking everything after the enacting
1 3 clause and inserting the following:
1 4 "Section 1. Section [422.51](#), Code 1995, is amended
1 5 by adding the following new subsection:
1 6 NEW SUBSECTION. 5. The taxes remitted pursuant to
1 7 this division shall be reduced by an alternate energy
1 8 purchase tax credit. An electric utility which has
1 9 purchased electricity from an alternate energy
1 10 production facility or small hydro facility pursuant
1 11 to section 476.43 shall be granted the credit. The
1 12 credit shall equal the difference between the
1 13 competitively bid rate that the utility paid for
1 14 purchase of the electricity and the rate which is
1 15 equivalent to the true economic cost attributed to
1 16 production of the electricity by the electric utility,
1 17 as established by the board pursuant to section
1 18 476.43.
1 19 Sec. 2. Section [476.1A](#), Code 1995, is amended by
1 20 adding the following new subsection:
1 21 NEW SUBSECTION. 7. Encouragement of alternate
1 22 energy production and the purchase of alternate
1 23 energy.
1 24 Sec. 3. Section [476.1A](#), unnumbered paragraph 3,
1 25 Code 1995, is amended to read as follows:
1 26 However, sections 476.20, 476.21,

~~476.41 through~~

1 27

~~476.44,~~

- 476.51, 476.56, 476.62, and 476.66 and
1 28 chapters 476A and 478, to the extent applicable, apply
1 29 to such electric utilities.
1 30 Sec. 4. Section [476.1B](#), subsection 1, paragraph g,
1 31 Code 1995, is amended by striking the paragraph and
1 32 inserting in lieu thereof the following:
1 33 g. Encouragement of alternate energy production
1 34 and the purchase of alternate energy.
1 35 Sec. 5. Section [476.42](#), subsection 1, paragraph a,
1 36 Code 1995, is amended to read as follows:
1 37 a. A solar, wind

~~turbine~~

~~waste management,~~

1 38

~~resource~~

- ~~methane~~ recovery,

~~refuse-derived fuel,~~

1 39 agricultural crops or residues, or woodburning

1 40 facility.

1 41 Sec. 6. Section [476.42](#), subsection 3, Code 1995,
1 42 is amended by striking the subsection.

1 43 Sec. 7. Section [476.42](#), Code 1995, is amended by
1 44 adding the following new subsection:

1 45 NEW SUBSECTION. 5. "Alternate energy" means
1 46 electricity derived from hydro, solar, wind, methane
1 47 recovery, agricultural crops or residues, or
1 48 woodburning energy.

1 49 Sec. 8. Section [476.43](#), subsection 1, Code 1995,
1 50 is amended to read as follows:

2 1 1. Subject to section 476.44, the board shall
2 2 require electric utilities to enter into long-term
2 3 contracts to do the following:
2 4 a. Purchase or wheel electricity from alternate
2 5 energy production facilities or small hydro facilities
2 6

~~located in the utility's service area~~

~~under~~

~~the~~

~~terms~~

2 7 and conditions that the board finds are just and
2 8 economically reasonable to the electric utilities'
2 9 ratepayers, are nondiscriminatory to alternate energy
2 10 producers and small hydro producers and will further
2 11 the policy stated in section 476.41.

2 12 b. Provide for the availability of supplemental or
2 13 backup power to alternate energy production facilities
2 14 or small hydro facilities on a nondiscriminatory basis
2 15 and at just and reasonable rates.

2 16 c. If the parties fail to agree on the terms of a
2 17 contract required pursuant to this section, a party
2 18 may request that the board intervene. The board shall
2 19 have sixty days from the date of the intervention
2 20 request to render a decision on the contract.

2 21 Sec. 9. Section [476.43](#), subsections 2, 3, and 4,
2 22 Code 1995, are amended by striking the subsections and
2 23 inserting in lieu thereof the following:

2 24 2. The board shall establish a uniform competitive
2 25 bidding process so that an electric utility may
2 26 acquire alternate energy at a just and economically
2 27 based market rate. An electric utility may produce
2 28 its own alternate energy by constructing and operating
2 29 an alternate energy production facility or small hydro
2 30 facility if the facility is constructed and operated
2 31 as a separate affiliate entity. However, the electric
2 32 utility shall participate in the competitive bidding
2 33 process using a third-party evaluator. A bid from an
2 34 electric utility producing its own alternate energy
2 35 shall not take into account regulated industry-based
2 36 factors including eminent domain and transmission
2 37 ownership in order to produce a lower cost bid.

2 38 3. Notwithstanding section 476.51, an electric
2 39 utility which fails to comply with the requirements of
2 40 subsection 1 shall be subject to a civil penalty,
2 41 levied by the board, in an amount that is equivalent
2 42 to three times the amount of the lowest bid filed with
2 43 the board to comply with the requirements of
2 44 subsection 1. Civil penalties collected under this
2 45 subsection shall be forwarded to the treasurer of
2 46 state to be credited to the Iowa energy center. Any
2 47 moneys allocated to the Iowa energy center pursuant to
2 48 this subsection shall be used solely for providing
2 49 grants to nonprofit agencies for alternate energy
2 50 production. These penalties shall be excluded from

3 1 the electric utility's costs when determining the
3 2 electric utility's revenue requirement, and shall not
3 3 be included either directly or indirectly in the
3 4 electric utility's rates or charges to customers.
3 5 4. Notwithstanding subsection 2, alternate energy
3 6 produced by recovery of methane at a sanitary landfill
3 7 shall be purchased at the rate existing as of January
3 8 1, 1996.

3 9 Sec. 10. Section [476.43](#), Code 1995, is amended by
3 10 adding the following new subsection:

3 11 NEW SUBSECTION. 7. An electric utility purchasing
3 12 alternate energy pursuant to this section shall be
3 13 entitled to an alternate energy purchase tax credit.
3 14 The electric utility shall reflect the tax credit
3 15 received by the utility in the utility's automatic
3 16 adjustment pursuant to section 476.6, subsection 11.
3 17 The credit shall be equal to the difference between
3 18 the rate established through the competitive bidding
3 19 process and the rate that is equivalent to the true
3 20 economic cost attributed to production of the
3 21 electricity by the electric utility, as established by
3 22 the board. The board shall establish a true economic
3 23 cost rate for purposes of the tax credit provided
3 24 under section 422.51. After January 1, 1997, this
3 25 rate shall be based upon the conclusions of an
3 26 independent study of the true economic value and cost
3 27 of energy production.

3 28 Sec. 11. Section [476.44](#), subsection 1, Code 1995,
3 29 is amended to by striking the subsection.

3 30 Sec. 12. Section [476.44](#), subsection 2, Code 1995,
3 31 is amended to read as follows:

3 32 2. a. An electric utility subject to this
3 33 division, except a utility which elects rate
3 34 regulation pursuant to section 476.1A, shall

~~not~~

~~be~~

3 35 required to purchase

~~, at any one time, more than~~

~~its~~

3 36 share of

~~one~~

~~two~~ hundred

~~five~~

~~ten~~ megawatts of power

3 37 from alternative energy production facilities or small
3 38 hydro facilities

~~at the rates~~

~~in accordance with the~~

3 39 competitive bidding process established pursuant to
3 40 section 476.43. The board shall allocate the

~~one~~

~~two~~

3 41 hundred

~~five~~

~~ten~~ megawatts based upon each utility's

3 42 percentage of the total Iowa retail peak demand, for
3 43 the year beginning January 1, 1990, of all utilities

3 44 subject to this section. If a utility undergoes

3 45 reorganization as defined in section 476.76, the board

3 46 shall combine the allocated purchases of power for

3 47 each utility involved in the reorganization.

3 48 Notwithstanding the

~~one~~

- two hundred

~~five~~

- ten

3 49 megawatt maximum, the board may increase the amount of

3 50 power that a utility is required to purchase

~~at the~~

-

4 1

~~rates established pursuant to section 476.43~~

- if the

4 2 board finds that a utility, including a reorganized

4 3 utility, exceeds its 1990 Iowa retail peak demand by

4 4 twenty percent and the additional power the utility is

4 5 required to purchase will encourage the development of

4 6 alternate energy production facilities and small hydro

4 7 facilities. The increase shall not exceed the

4 8 utility's increase in peak demand multiplied by the

4 9 ratio of the utility's share of the

~~one~~

- two hundred

4 10

~~five~~

- ten megawatt maximum to its 1990 Iowa retail peak

4 11 demand.

4 12 b. Of that portion of alternate energy required to

4 13 be purchased by a utility under this section, eighty-

4 14 five percent shall be purchased from alternate energy

4 15 production facilities or small hydro facilities

4 16 generating electricity with current and viable

4 17 technologies and fifteen percent shall be purchased

4 18 from alternate energy production facilities generating

4 19 electricity from new technologies. For purposes of

4 20 this section, new technologies include only those

4 21 technologies that use nonfossil fuel to derive

4 22 renewable energy.

4 23 Sec. 13. TRUE ECONOMIC COST AND VALUE STUDY. The

4 24 Iowa utilities board and the office of the Consumer

4 25 Advocate shall conduct an independent study of the

4 26 true economic cost of generating electricity. The

4 27 report shall be sent to the general assembly by

4 28 January 1, 1997. The study shall include an economic

4 29 analysis of electric utility rates and alternate

4 30 energy production rates. In addition to other

4 31 relevant factors, a determination of a true economic

4 32 rate shall consider the economic value of bringing the

4 33 production of energy to the state versus the value of

4 34 importing fossil fuels and the environmental impacts

4 35 associated with energy production and use. The study

4 36 shall provide a definitive statement of a true

4 37 economic rate.

4 38 Sec. 14. APPLICABILITY TO EXISTING CONTRACTS.

4 39 This Act shall not affect the terms and conditions of

4 40 any contract between an alternate energy production

4 41 facility or small hydro facility and an electric

4 42 utility that was entered into pursuant to sections

4 43 476.43 and 476.44 for purchase of alternate energy if

4 44 the contract was entered into prior to the effective

4 45 date of this Act."

4 46

4 47

4 48 _____

4 49 COMMITTEE ON [NATURAL RESOURCES](#),

4 50 ENERGY, AND ENVIRONMENT

5 1 BILL FINK, Chairperson

5 2 [SF 2221](#).201 76

5 3 js/jj